Parliamentary
Budget Office

APPENDIX E – COSTING DOCUMENTATION FOR THE AUSTRALIAN LABOR PARTY'S ELECTION COMMITMENTS

Contents

Parliamentary Budget Office

Policy costing

Abolish the Climate Solutions Fund	
Party:	Australian Labor Party
Summary of proposal: This proposal would abolish the Climate Solutions Fund (the Fund) and return any uncommitted funds to the budget. The proposal would have effect from 1 July 2019.	

Costing overview

The proposal would be expected to increase both the fiscal and underlying cash balances by $446 million over the 2019-20 Budget forward estimates period. This impact results from decreases in administered expenses of $419 million and departmental expenses of $27 million.

A breakdown of the financial implications of the proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an impact beyond the 2019-20 Budget forward estimates period.

Both the total cumulative financial implications and their profile over time are subject to uncertainty. As there will be no further auctions before the commencement of this proposal, the total cumulative savings from abolishing the Fund are subject to less uncertainty than their time profile. The total administered funds available for return to the budget could increase relative to the estimate presented here if not all currently contracted emissions reductions are delivered. The time profile of the financial implications in this costing is highly sensitive to assumptions about the estimated baseline profile of administered and committed funding. The baseline funding profile will be subject to change over time as abatement activity schedules under current and future contracts are finalised, which would affect the estimated baseline profile of the administered and committed funding over the costing period.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	84	94	90	180	**446**
Underlying cash balance	84	94	90	180	**446**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- All uncontracted funding as at 3 April 2019 would be returned to the budget at the commencement of the proposal on 1 July 2019.
  - Under the baseline, the next auction will be held on 24 to 25 July 2019, so no additional contractual commitments would be made by the proposal's start date.
- Total expenditure for the Fund would be distributed so that, in any one year, there would be sufficient funding to meet expected commitments.
- Departmental expenses for the Fund provided in the 2019-20 Budget would be returned to the budget.

Methodology

The financial implications for this costing are the sum of administered and departmental savings from abolishing the Fund.

Administered savings were based on the administered funding profile for the Fund provided by the Department of the Environment and Energy, less contractual commitments.

Departmental savings were based on the departmental expenses for the Fund provided by the Department of the Environment and Energy in the 2019-20 Budget.

Figures are rounded to $1 million.

Data sources

The Department of the Environment and Energy provided information on the Emissions Reduction Fund and the Climate Solutions Fund as at 3 April 2019.

Clean Energy Regulator, 2019. *Guidelines for the ninth Emissions Reduction Fund auction on 24 to 25 July 2019,* Canberra: Clean Energy Regulator.

Attachment A – Abolish the Climate Solutions Fund – financial implications

Table A1: Abolish the Climate Solutions Fund – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Administered expenses	*82*	*82*	*82*	*174*	***419***
Departmental expenses	*2*	*12*	*8*	*6*	***27***
Total – expenses	**84**	**94**	**90**	**180**	**446**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary Budget Office

Policy costing

Energy Security and Modernisation Fund	
Party:	Australian Labor Party

Summary of proposal:

This proposal would establish an Energy Security and Modernisation Fund (the Fund) with $5 billion to be drawn down as follows.

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
$ million	710	290	580	1,000	690	850	380	230	270	-	-

Returns from investments would not be reinvested in the Fund. The Fund would have a mandate consistent with the Clean Energy Finance Corporation (CEFC), as announced in the 2011-12 Mid-Year Economic and Fiscal Outlook (MYEFO), however the interest rate and loan terms would be as per the Northern Australia Infrastructure Facility, as announced in the 2015-16 Budget. The funding would be allocated to energy network projects, including interconnectors, supporting gas pipelines and new network infrastructure.

The Fund would be administered by the CEFC.

The proposal would have effect from 1 July 2019.

Costing overview

The proposal would be expected to decrease the fiscal balance by $620 million, increase the underlying cash balance by $170 million, and decrease the headline cash balance by $2,220 million over the 2019-20 Budget forward estimates period.

A breakdown of the financial implications of this proposal from 2019-20 to 2029-30 is provided at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

Consistent with Parliamentary Budget Office (PBO) Guidance 02/2015, public debt interest (PDI) expense impacts have been included in this costing because the concessional loans provided under this proposal involve financial asset transactions.

The impacts on the fiscal, underlying cash and headline cash balances differ due to the treatment of the concessional nature of the loans, and the flow of loans and principal repayments. Only the fiscal balance captures the estimates of expenses and unwinding income relating to the concessional loan discount, and only the headline cash balance captures changes in loans issued and principal repayments. A note on the accounting treatment of concessional loans is included at Attachment B.

The estimates in this costing are particularly sensitive to the funding profile, and the availability and timing of appropriate projects that would be eligible for financing from the Fund. They are also subject to uncertainty around the actual loan terms and repayment rates and are sensitive to projected Commonwealth Government bond rates. Fiscal balance impacts, reflecting the upfront concessional loan discount and the subsequent unwinding of these discounts, could differ from those presented in this costing should the actual market rate differ from those specified for this costing.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-220	-50	-130	-220	**-620**
Underlying cash balance	10	30	50	80	**170**
Headline cash balance	-680	-230	-480	-840	**-2,220**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- The terms under which loans are issued, including the concessional rate of interest and the loan period (excluding the interest-free period), reflect those used for modelling the Northern Australia Infrastructure Facility.
- As per the CEFC, funds would not be drawn down from the Consolidated Revenue Fund until loans are to be provided.
- The profile for the provision of loans for projects is as specified by the requestor with the last tranche released in the ninth year.
- Given the nature of projects financed by the Fund (energy network infrastructure), loans would likely be issued to investment grade institutions, and default rates would be relatively low at 1.5 per cent.
- Write-downs or write-offs of bad debts would occur only after half-way through the loan terms and, as the average loan term exceeds the costing horizon, these do not appear in the costing estimates.

Methodology

A concessional loan model, based on the Department of Finance Accounting for Concessional Loans policy guidelines, was used to estimate the financial implications of loans under the proposal. This includes the effect on administered expenditure and revenue.

The terms for loans under the Fund and the concessional interest rates were sourced from the 2015-16 Budget measure *Developing Northern Australia — Northern Australia Infrastructure Facility*. The value and timing of loans were based on the expenditure profile specified by under the proposal.

The impact on departmental expenses for the Fund was based on departmental funding for similar activities.

All estimates have been rounded to the nearest $10 million.

Data sources

Department of Finance, 2016. *Accounting for concessional loans, Resource Management Guide No. 115* [Online] Available at https://www.finance.gov.au/sites/default/files/rmg-115-accountingforconcessional-loans.pdf [Accessed 04.04.2019].

Reserve Bank of Australia, 2018. *Financial Stability Review April 2018* [Online] Available at https://www.rba.gov.au/publications/fsr/2018/apr/pdf/financial-stability-review-2018-04.pdf [Accessed 04.04.2019].

The Department of the Treasury provided the 2015-16 Budget measure *Developing Northern Australia — Northern Australia Infrastructure Facility* costing model.

The Department of the Treasury provided economic parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

Attachment A – Energy Security and Modernisation Fund – financial implications

Table A1: Energy Security and Modernisation Fund – Fiscal balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Revenue													
Income from unwinding of discounts	*10*	*20*	*20*	*40*	*50*	*60*	*70*	*70*	*70*	*70*	*70*	***90***	***560***
Interest accrued on loans	*30*	*50*	*80*	*120*	*150*	*190*	*200*	*200*	*210*	*200*	*190*	***280***	***1,630***
Total – revenue	**40**	**70**	**100**	**160**	**200**	**250**	**270**	**270**	**280**	**270**	**260**	**370**	**2,190**
Expenses													
Concessional loan discount expenses	*-240*	*-100*	*-200*	*-340*	*-230*	*-290*	*-130*	*-80*	*-90*	*-*	*-*	***-870***	***-1,690***
Departmental	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	***-40***	***-110***
Total – expenses	**-250**	**-110**	**-210**	**-350**	**-240**	**-300**	**-140**	**-90**	**-100**	**-10**	**-10**	**-910**	**-1,800**
Total (excluding PDI)	**-210**	**-40**	**-110**	**-190**	**-40**	**-50**	**130**	**180**	**180**	**260**	**250**	**-540**	**390**
PDI impacts	**-10**	**-10**	**-20**	**-30**	**-50**	**-60**	**-80**	**-80**	**-80**	**-70**	**-80**	**-80**	**-560**
Total (including PDI)	**-220**	**-50**	**-130**	**-220**	**-90**	**-110**	**50**	**100**	**100**	**190**	**170**	**-620**	**-170**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Table A2: Energy Security and Modernisation Fund – Underlying cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Receipts													
Interest payments received on loans	*30*	*50*	*80*	*120*	*150*	*190*	*200*	*200*	*210*	*200*	*190*	***280***	***1,630***
Total – receipts	**30**	**50**	**80**	**120**	**150**	**190**	**200**	**200**	**210**	**200**	**190**	**280**	**1,630**
Payments													
Departmental	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	***-40***	***-110***
Total – payments	**-10**	**-10**	**-10**	**-10**	**-10**	**-10**	**-10**	**-10**	**-10**	**-10**	**-10**	**-40**	**-110**
Total (excluding PDI)	**20**	**40**	**70**	**110**	**140**	**180**	**190**	**190**	**200**	**190**	**180**	**240**	**1,520**
PDI impacts	**-10**	**-10**	**-20**	**-30**	**-50**	**-60**	**-80**	**-80**	**-80**	**-70**	**-70**	**-70**	**-560**
Total (including PDI)	**10**	**30**	**50**	**80**	**90**	**120**	**110**	**110**	**120**	**120**	**110**	**170**	**960**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Table A3: Energy Security and Modernisation Fund – Headline cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Receipts													
Interest payments received on loans	*30*	*50*	*80*	*120*	*150*	*190*	*200*	*200*	*210*	*200*	*190*	***280***	***1,630***
Principal repayments on loans	*20*	*30*	*50*	*80*	*110*	*140*	*150*	*160*	*160*	*160*	*160*	***190***	***1,230***
Total – receipts	**50**	**80**	**130**	**200**	**260**	**330**	**350**	**360**	**370**	**360**	**350**	**470**	**2,860**
Payments													
Loans issued	*-710*	*-290*	*-580*	*-1,000*	*-690*	*-850*	*-380*	*-230*	*-270*	*-*	*-*	***-2,580***	***-5,000***
Departmental	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	***-40***	***-110***
Total – payments	**-720**	**-300**	**-590**	**-1,010**	**-700**	**-860**	**-390**	**-240**	**-280**	**-10**	**-10**	**-2,620**	**-5,110**
Total (excluding PDI)	**-670**	**-220**	**-460**	**-810**	**-440**	**-530**	**-40**	**120**	**90**	**350**	**340**	**-2,150**	**-2,250**
PDI impacts	**-10**	**-10**	**-20**	**-30**	**-50**	**-60**	**-80**	**-80**	**-80**	**-70**	**-70**	**-70**	**-560**
Total (including PDI)	**-680**	**-230**	**-480**	**-840**	**-490**	**-590**	**-120**	**40**	**10**	**280**	**270**	**-2,220**	**-2,810**

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Attachment B – Accounting treatment of concessional loans

A concessional loan is a loan provided on more favourable terms than the borrower could obtain in the financial market. The most common concession is a below-market interest rate, but concessions can also include favourable repayment conditions. The income contingent loans available through the Higher Education Loan Program are an example of concessional loans offered by the Commonwealth.

Budget impact[1]

The accounting treatment of concessional loans differs across each budget aggregate. The underlying cash balance only captures actual flows of interest related to the loans. The headline cash balance captures actual flows of principal as well as interest. The fiscal balance captures accrued interest, the value of the concession and any write-offs related to the loans. The interest cost of financing these loans is captured in all budget aggregates, and is separately identified by the PBO.[2] (Table B1 provides information about the detail provided in a costing.) The provision of concessional loans decreases the Commonwealth Government's net worth if the liabilities issued (the value of Commonwealth Government Securities (CGS) issued to finance the loans) are greater than the assets created (measured at their 'fair value' or price at which the loans could be sold).

Treatment of debt not expected to be repaid

All budget aggregates take into account estimates of the share of loans not expected to be repaid when calculating interest flows and estimating the value of the concession that is being provided. None of the measures capture the direct impact on net worth of the loans not expected to be repaid. If a portion of loans are not expected to be repaid, estimates of the 'fair value' of the loans outstanding will be reduced. Such reductions, both when loans are issued and if loans are subsequently re-valued, are recorded in the budget under 'Other economic flows' which are reflected in net worth but not in the budget aggregates.

Table B1: Components of concessional loan financial impacts in costing proposals

Budget item	Appears in	Comments
Interest accrued or received	All budget aggregates	Captures the interest accrued or expected to be received on the fair value of the debt. (The budget cannot include interest income on a debt that is not expected to be repaid.)
Concessional loan discount expense and unwinding revenue	Fiscal balance	The net present value of the concession (based on the difference between the market and concessional interest rates) is captured as an expense in the fiscal balance. As loans are repaid, the remaining value of the concession reduces, so this expense is 'unwound' with a positive impact on the fiscal balance. The concessional discount and its unwinding are not recognised in cash balances as there is no cash inflow or outflow.
Write-offs	Fiscal balance	Debt forgiveness, also known as mutually agreed write-downs (for example in the case of the death of the borrower of a HELP loan) are expensed when they occur, reducing the fiscal balance. These transactions do not affect the cash balances as no cash flows occur.
Initial loan; principal repayments	Headline cash balance	Higher estimates of loans not expected to be repaid lowers principal repayments. These transactions are not included in the fiscal balance or underlying cash balance as they involve the exchange of one financial asset (loan) for another (cash).
Public debt interest (PDI)	All budget aggregates	The PDI impact is the cost of the change in the government's borrowing requirements to fund the loans. The net headline cash balance impact excluding PDI is used to estimate the proposal's impact on PDI payments.

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[1] The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.
[2] This is in accordance with PBO Guidance 02/2015 and the Charter of Budget Honesty Policy Costing Guidelines which specify that costings of proposals that 'involve transactions of financial assets' need to take into account the impact on PDI payments.

Parliamentary Budget Office

Policy costing

Funding drought resilience and infrastructure	
Party:	Australian Labor Party
Summary of proposal: This proposal has two components that relate to not proceeding with the 2018-19 Mid-Year Economic and Fiscal Outlook measure *Future Drought Fund – establishment*. Component 1 would maintain the Building Australia Fund, and would amend its target rate of return in line with the expected return of the Future Drought Fund. Consistent with the Building Australia Fund's legislation, net unspent earnings would be reinvested each year so that they would be available for future, yet to be determined, projects. Component 2 would provide $100 million per annum from 2020-21 to fund initiatives that enhance drought resilience, preparedness and response across Australia, rather than drawing down $100 million from the fund. The proposal would have effect from 1 June 2019.	

Costing overview

The proposal would be expected to increase the fiscal balance by $5.9 million, increase the underlying cash balance by $6.2 million and decrease the headline cash balance by $8.3 million over the 2019-20 Budget forward estimates period. The fiscal balance impact reflects an increase in revenue of $16.0 million partly offset by increase in departmental expenses of $1.5 million and an increase in public debt interest expense of $8.6 million over this period.

Consistent with Parliamentary Budget Office (PBO) Guidance 02/2015, public debt interest expense impacts have been included in this costing as the proposal has an impact on Commonwealth Government financing arrangements.

Differences in the fiscal and underlying cash balance impacts solely reflect the difference in timing between when public debt interest expenses accrue and when they would be paid.

The headline cash balance impact differs from the underlying cash balance impact due to the headline cash balance including additional earnings that would be re-invested and the inclusion of capital gains as part of revenue receipts, both of which do not appear in the underlying cash balance.

Given the proposal's 1 June 2019 start date, Component 1 would be expected to increase both the fiscal and underlying cash balances by $6.5 million in 2018-19, this is not included in the tables below.

This proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period. A breakdown of the financial implications from 2019-20 to 2029-30 is provided at Attachment A.

The Building Australia Fund's initial capital level and management costs are relatively certain. The estimates are sensitive to the projected rates of return under the proposal and baseline scenarios, and decisions on the timing and amount of project spending.

Table 1: Financial implications ($m)[a][b]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	0.3	-0.6	1.6	4.5	**5.9**
Underlying cash balance	0.3	-0.6	1.8	4.6	**6.2**
Headline cash balance	-	-0.8	-2.7	-4.7	**-8.3**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

In costing this proposal, the PBO has assumed that required changes to relevant legislation and the Building Australia Fund's investment strategy would be completed by the start date of the proposal.

Methodology

The financial implications of the proposal reflect the combined impact of:

- not proceeding with the Future Drought Fund and maintaining the Building Australia Fund with a revised and higher return investment mandate.
- an overall reduction in government financing costs associated with providing $100 million per year from consolidated revenue instead of drawing down the same amount from the fund, which earns a higher return than the public debt interest cost of financing consolidated revenue.

The Building Australia Fund's initial fund balance at the start of the proposal was estimated based on information published in the Department of Finance's 2019-20 Portfolio Budget Statements. Total annual fund earnings were estimated by applying the target rate of return to the opening balance of the fund each year. Total earnings less management costs were reinvested, increasing the asset base for the subsequent years.

Departmental expenses reflect the cost of managing the fund which are calculated as a proportion of gross earnings. These are slightly higher under the proposal.

All estimates have been rounded to the nearest $100,000.

Data sources

The Department of Finance provided the 2019-20 Budget Future Drought Fund model.

Commonwealth of Australia, 2019. *2019-20 Budget Measures*, Budget Paper No. 2, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2019. *2019-20 Portfolio Budget Statements of the Department of Finance*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2019. *2018-19 Mid-Year Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.

Attachment A – Funding drought resilience and infrastructure – financial implications

Table A1: Funding drought resilience and infrastructure – Fiscal balance ($m)(a)(b)

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Revenue													
Total – revenue	**0.3**	**0.3**	**5.0**	**10.3**	**15.7**	**21.4**	**27.3**	**33.5**	**40.0**	**46.8**	**54.0**	**16.0**	**254.7**
Expenses													
Administered													
Component 1: Not proceeding with disbursements from fund	-	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	***300.0***	***1,000.0***
Component 2: Capped funding for drought initiatives	-	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	***-300.0***	***-1,000.0***
Total – administered	-	-	-	-	-	-	-	-	-	-	-	-	-
Departmental													
Management fees	..	..	*-0.5*	*-1.0*	*-1.5*	*-2.0*	*-2.5*	*-3.1*	*-3.7*	*-4.4*	*-5.0*	***-1.5***	***-23.8***
Total – departmental	-	-	***-0.5***	***-1.0***	***-1.5***	***-2.0***	***-2.5***	***-3.1***	***-3.7***	***-4.4***	***-5.0***	***-1.5***	***-23.8***
Total – expenses	-	-	**-0.5**	**-1.0**	**-1.5**	**-2.0**	**-2.5**	**-3.1**	**-3.7**	**-4.4**	**-5.0**	**-1.5**	**-23.8**
Total (excluding PDI)	**0.3**	**0.3**	**4.5**	**9.3**	**14.2**	**19.4**	**24.8**	**30.4**	**36.3**	**42.4**	**49.0**	**14.5**	**230.9**
PDI impacts	**..**	**-0.9**	**-2.9**	**-4.8**	**-7.2**	**-10.5**	**-14.4**	**-19.0**	**-24.0**	**-29.6**	**-35.7**	**-8.6**	**-149.1**
Total (including PDI)	**0.3**	**-0.6**	**1.6**	**4.5**	**7.0**	**8.9**	**10.4**	**11.4**	**12.3**	**12.8**	**13.3**	**5.9**	**81.8**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Table A2: Funding drought resilience and infrastructure – Underlying cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Receipts													
Total – receipts	**0.3**	**0.3**	**5.0**	**10.3**	**15.7**	**21.4**	**27.3**	**33.5**	**40.0**	**46.8**	**54.0**	**16.0**	**254.7**
Payments													
Administered													
Component 1: Not proceeding with disbursements from fund	-	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	***300.0***	***1,000.0***
Component 2: Capped funding for drought initiatives	-	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	***-300.0***	***-1,000.0***
Total – administered	-	-	-	-	-	-	-	-	-	-	-	-	-
Departmental													
Management fees	..	..	*-0.5*	*-1.0*	*-1.5*	*-2.0*	*-2.5*	*-3.1*	*-3.7*	*-4.4*	*-5.0*	***-1.5***	***-23.8***
Total – departmental	-	-	***-0.5***	***-1.0***	***-1.5***	***-2.0***	***-2.5***	***-3.1***	***-3.7***	***-4.4***	***-5.0***	***-1.5***	***-23.8***
Total – payments	-	-	**-0.5**	**-1.0**	**-1.5**	**-2.0**	**-2.5**	**-3.1**	**-3.7**	**-4.4**	**-5.0**	**-1.5**	**-23.8**
Total (excluding PDI)	**0.3**	**0.3**	**4.5**	**9.3**	**14.2**	**19.4**	**24.8**	**30.4**	**36.3**	**42.4**	**49.0**	**14.5**	**230.9**
PDI impacts	..	**-0.9**	**-2.7**	**-4.7**	**-7.1**	**-10.3**	**-14.1**	**-18.6**	**-23.7**	**-29.2**	**-35.3**	**-8.3**	**-146.6**
Total (including PDI)	**0.3**	**-0.6**	**1.8**	**4.6**	**7.1**	**9.1**	**10.7**	**11.8**	**12.6**	**13.2**	**13.7**	**6.2**	**84.3**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Table A3: Funding drought resilience and infrastructure – Headline cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Receipts													
Total – receipts	**0.3**	**0.3**	**5.0**	**10.3**	**15.7**	**21.4**	**27.3**	**33.5**	**40.0**	**46.8**	**54.0**	**16.0**	**254.7**
Payments													
Administered													
Component 1: Reinvestment	*-0.3*	*-0.3*	*-4.5*	*-9.3*	*-14.2*	*-19.4*	*-24.8*	*-30.4*	*-36.3*	*-42.4*	*-49.0*	***-14.5***	***-230.9***
Component 1: Not proceeding with disbursements from fund	-	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	***300.0***	***1,000.0***
Component 2: Capped funding for drought initiatives	-	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	*-100.0*	***-300.0***	***-1,000.0***
Total – administered	***-0.3***	***-0.3***	***-4.5***	***-9.3***	***-14.2***	***-19.4***	***-24.8***	***-30.4***	***-36.3***	***-42.4***	***-49.0***	***-14.5***	***-230.9***
Departmental													
Management fees	..	..	*-0.5*	*-1.0*	*-1.5*	*-2.0*	*-2.5*	*-3.1*	*-3.7*	*-4.4*	*-5.0*	***-1.5***	***-23.8***
Total – departmental	-	-	***-0.5***	***-1.0***	***-1.5***	***-2.0***	***-2.5***	***-3.1***	***-3.7***	***-4.4***	***-5.0***	***-1.5***	***-23.8***
Total – payments	**-0.3**	**-0.3**	**-5.0**	**-10.3**	**-15.7**	**-21.4**	**-27.3**	**-33.5**	**-40.0**	**-46.8**	**-54.0**	**-16.0**	**-254.7**
Total (excluding PDI)	-	-	-	-	-	-	-	-	-	-	-	-	-
PDI impacts[(c)]	**..**	**-0.9**	**-2.7**	**-4.7**	**-7.1**	**-10.3**	**-14.1**	**-18.6**	**-23.7**	**-29.2**	**-35.3**	**-8.3**	**-146.6**
Total (including PDI)	-	**-0.9**	**-2.7**	**-4.7**	**-7.1**	**-10.3**	**-14.1**	**-18.6**	**-23.7**	**-29.2**	**-35.3**	**-8.3**	**-146.6**

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

(b) Figures may not sum to totals due to rounding.

(c) In most situations a proposal that has no impact on the headline cash balance prior to the inclusion of PDI would not attract financing costs. However in this proposal because the funding for drought initiatives moves from being funded from the relevant investment fund to being funded from consolidated revenue a PDI financing cost is included. The PDI costs partially offset the increased earnings of the investment fund given that this fund is no longer drawn upon to fund these drought initiatives. Excluding the PDI costs from the above table would overstate the improvements to the budget balance from changing the financing arrangements.

.. Not zero but rounded to zero.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Just Transitions Authority	
Party:	Australian Labor Party

Summary of proposal:

The proposal would establish a Commonwealth Government agency, the Just Transitions Authority, for managing the effect of future power plant closures on workers and communities.
The Just Transitions Authority would:

- provide modelling and advice regarding the transition of employees from closing plants to new employment, early retirement or voluntary redundancy
- create plans for the workforce in regions affected by plant closures.

The Just Transitions Authority would require a small specialised team headed by a Senior Executive Service Band 2. The number of full-time-equivalent staff would be:

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Full-time-equivalent employees	10	15	20	40	75	75	75	75	75	75	75

The proposal would commence on 1 July 2019.

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by $14.5 million over the 2019-20 Budget forward estimates period. This impact is entirely due to an increase in departmental expenses.

The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period. From 2023-24, expenses would reflect the higher level of staff from that year and growth in the wage cost index.

The financial implications of this proposal are sensitive to the classification levels of staff members and the wage cost index parameters.

Table 1: Financial implications ($m)[(a)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-3.5	-2.2	-3.0	-5.8	**-14.5**
Underlying cash balance	-3.5	-2.2	-3.0	-5.8	**-14.5**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- The distribution, by level, of Australian Public Service staff employed by the Just Transitions Authority would be similar to the distribution, by level, of Victorian Public Service staff employed by the Latrobe Valley Authority.
- The departmental cost for each full-time-equivalent employee would be the average of the relevant base salary and associated costs across the Australian Public Service.
- The Just Transitions Authority would be accommodated within an existing Commonwealth Government property.
- The Just Transitions Authority would have discretion over allocation of funding in its budget. This may involve allocating a portion of funds to modelling costs, for example hiring economists or outsourcing modelling capabilities, to fulfil the Authority's purpose in providing modelling and advice to employees transitioning from closing plants to other options. The portion of funding that would be required to facilitate this function is variable and depends on the budget allocation of the Just Transitions Authority.

Methodology

The financial implications of the proposal are the sum of establishment costs and ongoing departmental expenses.

The estimate of establishment costs for the Just Transitions Authority is based on analysis of previous authorities with similar operating expenses. Ongoing departmental expenses are based on the number of full-time-equivalent staff required to establish and operate the Just Transitions Authority, accounting for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

All estimates are rounded to the nearest $100,000.

Data sources

The Department of Finance provided the wage cost index and efficiency dividend data as at the 2019 Pre-election Economic and Fiscal Outlook.

Victorian Government, 2018. *Department of Premier and Cabinet Annual Report 2017-18* [Online] Available at: https://www.parliament.vic.gov.au/file_uploads/DPC_2017-18_Annual_Report_v69Pghvt.pdf [Accessed 16.04.2019].

Parliamentary Budget Office

Policy costing

Kakadu rescue package	
Party:	Australian Labor Party
Summary of proposal: The proposal would invest in infrastructure and community development projects to improve the Kakadu National Park as a tourist destination and secure the future of the township of Jabiru by bringing forward the medium-term component of the 2019-20 Budget measure *Securing Tourism and Jobs in Kakadu* into the 2019-20 Budget forward estimates period. The proposal would take effect from 1 July 2019.	

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $64.9 million over the 2019-20 Budget forward estimates period. This impact reflects increases of $63.2 million in administered expenses and $1.7 million in departmental expenses.

The proposal would be expected to have an impact which extends beyond the 2019-20 Budget forward estimates period. Detailed financial implications for the proposal over the period to 2029-30 are included in Attachment A.

Table 1: Financial implications ($m)[a][b]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-2.7	-11.4	-21.4	-29.4	**-64.9**
Underlying cash balance	-2.7	-11.4	-21.4	-29.4	**-64.9**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- The amount of savings generated beyond the 2019-20 Budget forward estimates period, as a result of bringing forward funding allocated to the medium term (2023-24 to 2028-29), has been distributed based on a similar profile to that published by the Department of the Environment and Energy in the document *Director of National Parks, Securing Tourism and Jobs in Kakadu funding*.

Methodology

The financial implications of this proposal were estimated by bringing forward the medium-term funding allocated to the 2019-20 Budget measure *Securing Tourism and Jobs in Kakadu* into the 2019-20 forward estimates period.

All estimates were rounded to the nearest $100,000.

Data sources

Commonwealth of Australia, 2019. *2019-20 Budget*, Canberra: Commonwealth of Australia.

Locking in the Future of Tourism and Jobs in Kakadu. [Online].
Available at: https://www.pm.gov.au/media/locking-future-tourism-and-jobs-kakadu
[Accessed 31.05.2019].

Department of the Environment and Energy, 2019. *Director of National Parks, Securing Tourism and Jobs in Kakadu funding.* [Online].
Available at: https://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/ec/2019-20_Budget_estimates/environmentenergy [Accessed 31.05.2019].

Attachment A – Kakadu rescue package – financial implications

Table A1: Kakadu rescue package – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Expenses													
Administered	*-2.6*	*-11.1*	*-20.9*	*-28.7*	*24.5*	*9.9*	*9.9*	*9.9*	*4.5*	*4.5*	*-*	***-63.2***	***-***
Departmental – Department of the Environment and Energy	*-0.1*	*-0.3*	*-0.5*	*-0.7*	*0.6*	*0.3*	*0.3*	*0.3*	*0.1*	*0.1*	*-*	***-1.7***	***-***
Total – expenses	**-2.7**	**-11.4**	**-21.4**	**-29.4**	**25.1**	**10.2**	**10.2**	**10.2**	**4.6**	**4.6**	**-**	**-64.9**	**-**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary
Budget Office

Policy costing

Recapitalising the Clean Energy Finance Corporation	
Party:	Australian Labor Party

Summary of proposal:

The proposal would expand the capital base of the Clean Energy Finance Corporation (CEFC) by contributing $2 billion each year over five years (a total of $10 billion) from 1 July 2019. The CEFC would be directed to undertake the following investments with part of this capital.

- $1 billion to support clean hydrogen development.
- Concessional loans to households who participate in the Household Battery Program (which has been separately costed[1]). The Household Battery Program would provide cash grants to up to 100,000 households for the purchase of energy storage batteries. The grants would be paid at a rate of $500 per kilowatt hour (KWh) of battery capacity, capped at $2,000 per household. Participating households would be able to apply for concessional financing through the CEFC to help pay for the balance of battery costs and to purchase new or additional solar panels if required. The Household Battery Program would have effect from 1 January 2020.
- Up to $1 billion for public schools to install solar panels and battery storage. The scheme would roll out on a trial basis in the first 24 months. All public schools would be able to apply for access to the scheme. Those schools that already have rooftop solar would be able to apply to expand existing installations and also install battery storage. This scheme would have effect from 1 January 2020.

Costing overview

This proposal would be expected to decrease the fiscal balance by $150 million, increase the underlying cash balance by $73 million and decrease the headline cash balance by $3,382 million over the 2019-20 Budget forward estimates period.

A breakdown of the financial implications of this proposal over the period to 2029-30 is provided at Attachment A. The proposal would be expected to have financial implications beyond the 2019-20 Budget forward estimates period.

Consistent with Parliamentary Budget Office (PBO) Guidance 02/2015, public debt interest (PDI) expense impacts have been included in this costing because the concessional finance provided under this proposal involves financial asset transactions.

The fiscal, underlying cash and headline cash balance impacts differ due to how they treat the loan's concessional interest rate, and the flow of loan principal and interest repayment amounts. Only the fiscal balance includes an estimate of the concessional loan discount expense and associated unwinding income.

[1] Refer to PBO costing Household Battery Program (PER219).

Only the headline cash balance includes changes in loans issued and principal repayments. A note on the accounting treatment of concessional loans is included at Attachment B.

The estimates of the financial implications in this costing are highly sensitive to assumptions regarding the funding profile, the availability and timing of appropriate projects that would be eligible for financing under this proposal, and the financial performance of the portfolio. The estimates of the value of the concession are sensitive to the assumed market rates for loans, which depend on the balance of business, household and other loans in the expanded portfolio.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-24	-37	-43	-45	**-150**
Underlying cash balance	2	10	24	39	**73**
Headline cash balance	-350	-689	-1,012	-1,328	**-3,382**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- The funding commitment and deployment under this proposal, including the split between loans and equity investments, would reflect the CEFC's investment profile as at the 2019 Pre-election Economic and Fiscal Outlook.
- The contributions to be made under this proposal would be drawn down from the Special Account only when they are ready to be deployed. The CEFC would enter into $2 billion of commitments each year for five years. These $2 billion commitments would each be deployed evenly over five years. For example, $400 million would be deployed in the first year of the proposal, $800 million in the second, and so on.
- Loans would be issued to investment-grade institutions and default rates would be relatively low at 1.5 per cent.
- The average maturity of concessional loans would be seven years, with principal repayments being reinvested in subsequent loans on an annual basis.
- Projects financed via equity injections would meet rates of return and payments of dividends consistent with the CEFC's projections over the 2019-20 Budget forward estimates period. These would not be expected to mature over the medium term (to 2029-30), and hence would not return any principal over that period.
- All interest rates (concessional, market and the return on equity investment) used in this costing would move in line with the five-year government bond rate projection.
- Additional departmental funding would be required while the contribution is being made and when the CEFC starts expanding its portfolio by drawing on the proposed new contributions.

- The proposed loans for clean hydrogen development and the public school solar scheme would not materially alter the CEFC's overall financial performance as the lending would occur as part of the CEFC's business-as-usual operations.
  - This would be the case even if the specified volume of funds could not be deployed to hydrogen projects or the public schools solar scheme in a reasonable timeframe. In this case, the CEFC Board would deploy the funds in other projects consistent with the objectives of its current Act.
- Concessional loans for households under the Household Battery Program would be facilitated through an arrangement which is part of the CEFC's existing operations, such as between the CEFC and the peer-to-peer lender RateSetter.
- The timing of the expansion is consistent with the Household Battery Program and the public school solar scheme commencing from 1 January 2020.
  - The roll-out of additional funds would start on 1 July 2019.

Methodology

A concessional loan model was developed to estimate the financial implications of this proposal. The model is based on the Department of Finance Accounting for Concessional Loans policy guidelines. The model incorporates relevant aspects of the CEFC's modelling as at the 2019 Pre-election Economic and Fiscal Outlook, including investment profiles, loan terms, the concessional interest rate, and principal reinvestment. The model also incorporates an element to confirm that the volume of funds expected to be loaned for batteries and solar panels under the Household Battery Program and public school solar scheme does not exceed the total volume of funds drawn down in any period.

All estimates have been rounded to the nearest $1 million.

Data sources

The Department of the Environment and Energy provided costing models relating to the CEFC as at the 2019 Pre-election Economic and Fiscal Outlook.

The Treasury provided economic parameters and yield curves as at the 2019 Pre-election Economic and Fiscal Outlook.

CEFC, 2018. *1000 green energy installations and counting: RateSetter and CEFC extend green loans program*. [Online] Available at https://www.cefc.com.au/media/files/1000-green-energy-installations-and-counting-ratesetter-and-cefc-extend-green-loans-program/ [Accessed 19 March 2019].

Department of Finance, 2016. *Accounting for concessional loans, Resource Management Guide No. 115*. [Online] Available at https://www.finance.gov.au/sites/default/files/rmg-115-accounting-forconcessional-loans.pdf [Accessed 24 April 2019].

Parliamentary Budget Office, 2015. *Public Debt Interest (PDI) payments in PBO costings*, PBO Guidance 02/2015, Canberra: PBO.

Reserve Bank of Australia, 2019. *Statistical Tables: Indicator Lending Rates – F5*. [Online] Available at https://www.rba.gov.au/statistics/tables/ [Accessed 25 April 2019].

Reserve Bank of Australia, 2018. *Financial Stability Review October 2018*. [Online] Available at https://www.rba.gov.au/publications/fsr/2018/oct/pdf/financial-stability-review-2018-10.pdf [Accessed 5 March 2019].

Attachment A – Recapitalising the Clean Energy Finance Corporation – financial implications

Table A1: Recapitalising the Clean Energy Finance Corporation – Fiscal balance ($m)[a][b]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Revenue													
Income from unwinding concessional loan discounts	*8*	*24*	*48*	*79*	*119*	*151*	*175*	*191*	*199*	*198*	*196*	***159***	***1,387***
Loan interest accrued	*9*	*26*	*53*	*88*	*150*	*215*	*277*	*330*	*371*	*395*	*417*	***176***	***2,331***
Equity investment dividends	*1*	*2*	*5*	*8*	*11*	*14*	*16*	*17*	*17*	*17*	*17*	***15***	***123***
Total – revenue	**18**	**52**	**106**	**175**	**280**	**380**	**468**	**538**	**587**	**610**	**630**	**350**	**3,841**
Expenses													
Administered													
Concessional loan discount expense	*-33*	*-70*	*-114*	*-162*	*-217*	*-214*	*-210*	*-206*	*-197*	*-181*	*-191*	***-379***	***-1,794***
Write downs	-	-	-	-	-	-	*-5*	*-11*	*-17*	*-25*	*-34*	-	***-92***
Total – administered	***-33***	***-70***	***-114***	***-162***	***-217***	***-214***	***-215***	***-217***	***-214***	***-206***	***-225***	***-379***	***-1,886***
Departmental costs	*-6*	*-8*	*-12*	*-17*	*-21*	-	-	-	-	-	-	***-43***	***-64***
Total – expenses	**-39**	**-78**	**-126**	**-179**	**-238**	**-214**	**-215**	**-217**	**-214**	**-206**	**-225**	**-422**	**-1,950**
Total (excluding PDI)	**-21**	**-26**	**-20**	**-4**	**42**	**166**	**253**	**321**	**373**	**404**	**405**	**-72**	**1,891**
PDI impacts	**-3**	**-11**	**-23**	**-41**	**-70**	**-105**	**-134**	**-152**	**-158**	**-150**	**-145**	**-78**	**-992**
Total (including PDI)	**-24**	**-37**	**-43**	**-45**	**-28**	**61**	**119**	**169**	**215**	**254**	**260**	**-150**	**899**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Table A2: Recapitalising the Clean Energy Finance Corporation – Underlying cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Receipts													
Loan interest received	*9*	*26*	*53*	*88*	*150*	*215*	*277*	*330*	*371*	*395*	*417*	***176***	***2,331***
Dividends on equity investments	*1*	*2*	*5*	*8*	*11*	*14*	*16*	*17*	*17*	*17*	*17*	***15***	***123***
Total – receipts	**10**	**28**	**58**	**96**	**161**	**229**	**293**	**347**	**388**	**412**	**434**	**191**	**2,454**
Payments													
Departmental costs	*-6*	*-8*	*-12*	*-17*	*-21*	-	-	-	-	-	-	***-43***	***-64***
Total – payments	**-6**	**-8**	**-12**	**-17**	**-21**	**-**	**-**	**-**	**-**	**-**	**-**	**-43**	**-64**
Total (excluding PDI)	**4**	**20**	**46**	**79**	**140**	**229**	**293**	**347**	**388**	**412**	**434**	**148**	**2,390**
PDI impacts	**-2**	**-10**	**-22**	**-40**	**-68**	**-102**	**-132**	**-151**	**-158**	**-151**	**-145**	**-75**	**-982**
Total (including PDI)	**2**	**10**	**24**	**39**	**72**	**127**	**161**	**196**	**230**	**261**	**289**	**73**	**1,408**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Table A3: Recapitalising the Clean Energy Finance Corporation – Headline cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Receipts													
Loan repayments	*48*	*149*	*313*	*546*	*863*	*1,179*	*1,492*	*1,754*	*1,950*	*2,060*	*2,117*	***1,056***	***12,471***
Interest repayments received on loans	*9*	*26*	*53*	*88*	*150*	*215*	*277*	*330*	*371*	*395*	*417*	***176***	***2,331***
Equity repayments	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Dividends on equity investments	*1*	*2*	*5*	*8*	*11*	*14*	*16*	*17*	*17*	*17*	*17*	***15***	***123***
Total – receipts	**58**	**177**	**371**	**642**	**1,024**	**1,408**	**1,785**	**2,101**	**2,338**	**2,472**	**2,551**	**1,247**	**14,925**
Payments													
Administered													
Loans made	*-342*	*-717*	*-1,165*	*-1,656*	*-2,252*	*-2,246*	*-2,228*	*-2,198*	*-2,109*	*-1,950*	*-2,060*	***-3,881***	***-18,924***
Equity investments	*-58*	*-131*	*-184*	*-257*	*-294*	*-217*	*-151*	*-94*	*-44*	-	-	***-630***	***-1,430***
Total – administered	***-400***	***-848***	***-1,349***	***-1,913***	***-2,546***	***-2,463***	***-2,379***	***-2,292***	***-2,153***	***-1,950***	***-2,060***	***-4,511***	***-20,354***
Departmental costs	*-6*	*-8*	*-12*	*-17*	*-21*	-	-	-	-	-	-	***-43***	***-64***
Total – payments	**-406**	**-856**	**-1,361**	**-1,930**	**-2,567**	**-2,463**	**-2,379**	**-2,292**	**-2,153**	**-1,950**	**-2,060**	**-4,554**	**-20,418**
Total (excluding PDI)	**-348**	**-679**	**-990**	**-1,288**	**-1,543**	**-1,055**	**-594**	**-191**	**185**	**522**	**491**	**-3,307**	**-5,493**
PDI impacts	**-2**	**-10**	**-22**	**-40**	**-68**	**-102**	**-132**	**-151**	**-158**	**-151**	**-145**	**-75**	**-982**
Total (including PDI)	**-350**	**-689**	**-1,012**	**-1,328**	**-1,611**	**-1,157**	**-726**	**-342**	**27**	**371**	**346**	**-3,382**	**-6,475**

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Attachment B – Accounting treatment of concessional loans

A concessional loan is a loan provided on more favourable terms than the borrower could obtain in the financial market. The most common concession is a below-market interest rate, but concessions can also include favourable repayment conditions. The income contingent loans available through the Higher Education Loan Program are an example of concessional loans offered by the Commonwealth.

Budget impact[2]

The accounting treatment of concessional loans differs across each budget aggregate. The underlying cash balance only captures actual flows of interest related to the loans. The headline cash balance captures actual flows of principal as well as interest. The fiscal balance captures accrued interest, the value of the concession and any write-offs related to the loans. The interest cost of financing these loans is captured in all budget aggregates, and is separately identified by the PBO.[3] (Table B1 provides information about the detail provided in a costing.) The provision of concessional loans decreases the Commonwealth Government's net worth if the liabilities issued (the value of Commonwealth Government Securities (CGS) issued to finance the loans) are greater than the assets created (measured at their 'fair value' or price at which the loans could be sold).

Treatment of debt not expected to be repaid

All budget aggregates take into account estimates of the share of loans not expected to be repaid when calculating interest flows and estimating the value of the concession that is being provided. None of the measures capture the direct impact on net worth of the loans not expected to be repaid. If a portion of loans are not expected to be repaid, estimates of the 'fair value' of the loans outstanding will be reduced. Such reductions, both when loans are issued and if loans are subsequently re-valued, are recorded in the budget under 'Other economic flows' which are reflected in net worth but not in the budget aggregates.

Table B1: Components of concessional loan financial impacts in costing proposals

Budget item	Appears in	Comments
Interest accrued or received	All budget aggregates	Captures the interest accrued or expected to be received on the fair value of the debt. (The budget cannot include interest income on a debt that is not expected to be repaid.)
Concessional loan discount expense and unwinding revenue	Fiscal balance	The net present value of the concession (based on the difference between the market and concessional interest rates) is captured as an expense in the fiscal balance. As loans are repaid, the remaining value of the concession reduces, so this expense is 'unwound' with a positive impact on the fiscal balance. The concessional discount and its unwinding are not recognised in cash balances as there is no cash inflow or outflow.
Write-offs	Fiscal balance	Debt forgiveness, also known as mutually agreed write-downs (for example in the case of the death of the borrower of a HELP loan) are expensed when they occur, reducing the fiscal balance. These transactions do not affect the cash balances as no cash flows occur.
Initial loan; principal repayments	Headline cash balance	Higher estimates of loans not expected to be repaid lowers principal repayments. These transactions are not included in the fiscal balance or underlying cash balance as they involve the exchange of one financial asset (loan) for another (cash).
Public debt interest (PDI)	All budget aggregates	The PDI impact is the cost of the change in the government's borrowing requirements to fund the loans. The net headline cash balance impact excluding PDI is used to estimate the proposal's impact on PDI payments.

[2] The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.
[3] This is in accordance with PBO Guidance 02/2015 and the Charter of Budget Honesty Policy Costing Guidelines which specify that costings of proposals that 'involve transactions of financial assets' need to take into account the impact on PDI payments.

Parliamentary Budget Office

Policy costing

Redirected funding from the Environment Restoration Fund	
Party:	Australian Labor Party
Summary of proposal: The proposal would not proceed with the Environment Restoration Fund component of the 2019-20 Budget measure *Practical Environment Restoration.*	

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by $100.0 million over the 2019-20 Budget forward estimates period. This impact reflects decreases of $90.4 million in administered expenses and $9.6 million in departmental expenses. The proposal would not be expected to have an impact beyond the 2019-20 Budget forward estimates period as funding for the Environmental Restoration Fund terminates in 2022-23.

Table 1: Financial implications ($m)(a)(b)

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	25.0	25.0	25.0	25.0	**100.0**
Underlying cash balance	25.0	25.0	25.0	25.0	**100.0**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The financial implications of this proposal were estimated based on information and budget measure models provided by the Department of the Environment and Energy

All estimates were rounded to the nearest $100,000.

Data sources

The Department of the Environment and Energy provided relevant budget measure costing models and related information.

Attachment A – Redirected funding from the Environment Restoration Fund – financial implications

Table A1: Redirected funding from the Environment Restoration Fund – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
Administered	*20.1*	*23.0*	*23.7*	*23.6*	***90.4***
Departmental	*4.9*	*2.0*	*10.3*	*1.4*	***9.6***
Total – expenses	**25.0**	**25.0**	**25.0**	**25.0**	**100.0**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary
Budget Office

Policy costing

Redirected funding from the Harry Butler Environmental Education Centre	
Party:	Australian Labor Party
Summary of proposal: The proposal would not proceed with the 2019-20 Budget measure *Harry Butler Environmental Education Centre.*	

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by $25.0 million over the 2019-20 Budget forward estimates period. This impact entirely reflects a decrease in administered expenses.

The proposal would not be expected to have an impact beyond the 2019-20 Budget forward estimates period as funding for the measure terminates in 2022-23.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	1.0	8.0	8.0	8.0	**25.0**
Underlying cash balance	1.0	8.0	8.0	8.0	**25.0**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The financial implications of this proposal were estimated based on information provided by the Department of Finance and the Department of the Environment and Energy.

All estimates were rounded to the nearest $100,000.

Data sources

The Department of Finance provided information from the Central Budget Management System for the budget measure.

The Department of the Environment and Energy provided advice on the funding profile for the budget measure.

Parliamentary Budget Office

Policy costing

Redirected funding from the National Centre for Coasts, Environment and Climate	
Party:	Australian Labor Party
Summary of proposal: The proposal would not proceed with the 2019-20 Budget measure *National Centre for Coasts, Environment and Climate.*	

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by $25.0 million over the 2019-20 Budget forward estimates period. This impact entirely reflects a decrease in administered expenses.

The proposal would not be expected to have an impact beyond the 2019-20 Budget forward estimates period as funding for the measure terminates in 2022-23.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	1.0	8.0	8.0	8.0	**25.0**
Underlying cash balance	1.0	8.0	8.0	8.0	**25.0**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The financial implications of this proposal were estimated based on information provided by the Department of Finance and the Department of the Environment and Energy.

All estimates were rounded to the nearest $100,000.

Data sources

The Department of Finance provided information from the Central Budget Management System for the budget measure.

The Department of the Environment and Energy provided advice on the funding profile for the budget measure.

Parliamentary Budget Office

Policy costing

Rescuing the Great Barrier Reef	
Party:	Australian Labor Party
Summary of proposal: This proposal would return to the Commonwealth Government all uncommitted funding, as at 1 July 2019, from the $443.4 million grant provided to the Great Barrier Reef Foundation (the Foundation) in 2017-18. Funds would be returned in 2019-20 and would include interest earned on the grant. The funds would be spent on the Reef evenly over five years starting in 2019-20. Advice would be sought from the Department of the Environment and Energy about how to allocate the funds to government agencies and other organisations.	

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by $85 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in non-tax revenue of $425 million, largely offset by an increase in administered expenses of $34 million and an increase in departmental expenses of $306 million.

Departmental expenses to recover the funding are not expected to be material and have not been included. The proposal would be expected to have an impact beyond the 2019-20 Budget forward estimates period in 2023-24.

The financial implications of this proposal are extremely sensitive to the value of uncommitted funds available at 1 July 2019. The Department of the Environment and Energy provided committed and uncommitted funding (inclusive of interest) from the grant as at 31 December 2018, as reported by the Foundation in its first progress report to the Department. The financial implications are also sensitive to the rate of interest earned by the Foundation.

Table 1: Financial implications ($m)[(a)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	340	-85	-85	-85	**85**
Underlying cash balance	340	-85	-85	-85	**85**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- Uncommitted funds as at 1 July 2019 would be equal to uncommitted funds as at 31 December 2018, adjusted for projected new contractual commitments and interest earnings at an annual rate of 3.7 per cent.
  - Projected new contractual commitments over the six-month period 1 January to 1 July 2019 would be $3 million. This is equal to contractual commitments made over June to December 2018.
  - New commitments would be made halfway through the six months from 1 January to 1 July 2019. As a result, interest earnings for the second half of this period would be lower as the uncommitted funds would be adjusted by the new contractual commitments.
  - The interest earned is consistent with the implied rate of return earned by the Foundation on its bank deposits in 2017, according to the Foundation's 2017 annual report.
- The Foundation would return all uncommitted funds from the grant to the Commonwealth Government in 2019-20.
- The reallocated funds would be largely departmental expenses.
  - The shares of departmental and administered expenses would depend on the decisions about which bodies received funding under the proposal.

Methodology

The financial implications were estimated by projecting uncommitted funds from the grant as at 1 July 2019 as described above, and returning these to the budget in 2019-20.

The reallocation of the recovered funds was spread evenly over five years starting in 2019-20 as per the specification, applying the split between administered and departmental expenses outlined above.

All revenue figures have been rounded to the nearest $1 million. All expense figures have been rounded to the nearest $100,000.

Data sources

The Department of the Environment and Energy provided funding data on committed and uncommitted funds from the grant to the Great Barrier Reef Foundation, as at 31 December 2018.

Great Barrier Reef Foundation, Annual report for the year ended 31 December 2017 [Online] Available at: https://www.barrierreef.org/uploads/2017%20Annual%20Report.pdf [Accessed 17.04.2019].

Attachment A – Rescuing the Great Barrier Reef – financial implications

Table A1: Rescuing the Great Barrier Reef – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Revenue					
Total – revenue	**425.0**	**-**	**-**	**-**	**425.0**
Expenses					
Administered	*-8.5*	*-8.5*	*-8.5*	*-8.5*	*-34.0*
Departmental	*-76.5*	*-76.5*	*-76.5*	*-76.5*	*-306.0*
Total – expenses	**-85.0**	**-85.0**	**-85.0**	**-85.0**	**-340.0**
Total	**340.0**	**-85.0**	**-85.0**	**-85.0**	**85.0**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Redirected funding from the Communities Environment Program	
Party:	Australian Labor Party
Summary of proposal: The proposal would not proceed with the Communities Environment Program component of the 2019-20 Budget measure *Practical Environment Restoration.*	

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by $28.3 million over the 2019-20 Budget forward estimates period. This impact reflects decreases of $22.7 million in administered expenses and $5.6 million in departmental expenses. The proposal would not be expected to have an impact beyond the 2019-20 Budget forward estimates period as funding for the Communities Environment Program terminates in 2020-21.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	26.7	1.5	-	-	**28.3**
Underlying cash balance	26.7	1.5	-	-	**28.3**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Methodology

The financial implications of this proposal were estimated based on information and budget measure models provided by the Department of the Environment and Energy

All estimates were rounded to the nearest $100,000.

Data sources

The Department of the Environment and Energy provided relevant budget measure costing models and information on the level of uncommitted funding for the Communities Environment Program as at 3 April 2019.

Attachment A – Redirected funding from the Communities Environment Program – financial implications

Table A1: Redirected funding from the Communities Environment Program – Fiscal and underlying cash balances ($m)[(a)(b)(c)]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
Administered	*22.7*	-	-	-	***22.7***
Departmental	*4.1*	*1.5*	-	-	***5.6***
Total – expenses	**26.7**	**1.5**	**-**	**-**	**28.3**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

(c) Savings are based on data on the level of uncommitted funds for the program as at 3 April 2019.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Addressing funeral benefits inequity	
Party:	Australian Labor Party
Summary of proposal: The proposal would increase the amount of financial assistance for funeral benefits available under the *Veterans' Entitlements Act 1986* so that it matches the assistance available under the *Military Rehabilitation and Compensation Act 2004*, and index the amount paid using an equivalent method. The proposal would have effect from 1 January 2020.	

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $100.5 million over the 2019-20 Budget forward estimates period. This impact entirely reflects an increase in administered expenses.

The proposal would be expected to have an impact that extends beyond the 2019-20 Budget forward estimates period. Financial implications over the period to 2029-30 are included at Attachment A.

No departmental expenses have been included in this costing as the proposal is not expected to involve a significant change in the complexity of administering funeral benefit claims.

The estimated financial implications are sensitive to the projected number of funeral benefit recipients covered under the *Veterans' Entitlements Act 1986*.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-16.2	-30.2	-27.5	-26.6	**-100.5**
Underlying cash balance	-16.2	-30.2	-27.5	-26.6	**-100.5**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The financial implications were estimated by calculating the total estimated funeral claim expenses under the proposal less the total estimated funeral claim expenses under the baseline.

The total estimated funeral claim expenses under the proposal were calculated by multiplying the projected number of funeral claims under the *Veterans' Entitlement Act 1986* by the increased entitlement amount and allowing for the higher rate of indexation over time.

- The entitlement amount was increased to $12,503.62 at the proposed start date and indexed by the same arrangement as those applying under the *Military Rehabilitation and Compensation Act 2004* thereafter.

The total estimated funeral claim expenses under the baseline were calculated by multiplying the projected number of funeral claims by the baseline payment amount.

The estimated number of funeral claims was calculated by multiplying the historical ratio of funeral benefit claims to total exits by the projected *Veterans' Entitlement Act 1986* population.

All estimates have been rounded to the nearest $100,000.

Data sources

Department of Veterans' Affairs 2017, *2016-17 Annual Report*, p. 51 & 195.

Department of Veterans' Affairs 2018, *2017-18 Annual Report*, p. 22.

Department of Veterans' Affairs, 2019. *MRCA Rates & Allowances 20 March 2019*. [Online] Available at: http://clik.dva.gov.au/compensation-and-support-reference-library/payment-rates/current-payment-rates/20-march-2019/mrca-rates-allowances-20-march-2019 [Accessed 09.04.2019].

Department of Veterans' Affairs, 2019. *Population projections — executive summary — June 2018*. [Online] Available at: https://www.dva.gov.au/about-dva/statistics-about-veteran-population [Accessed 11.04.2019].

The Department of Finance provided indexation parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

Attachment A – Addressing funeral benefits inequity – financial implications

Table A1: Addressing funeral benefits inequity – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Expenses													
Administered expenses	*-16.2*	*-30.2*	*-27.5*	*-26.6*	*-23.9*	*-21.7*	*-21.1*	*-19.3*	*-18.9*	*-18.4*	*-18.3*	***-100.5***	***-242.1***
Total – expenses	**-16.2**	**-30.2**	**-27.5**	**-26.6**	**-23.9**	**-21.7**	**-21.1**	**-19.3**	**-18.9**	**-18.4**	**-18.3**	**-100.5**	**-242.1**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary Budget Office

Policy costing

Elimination of non-tariff barriers	
Party:	Australian Labor Party
Summary of proposal: This proposal would create an online portal for exporters to report non-tariff barriers with effect from 1 July 2019.	

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $0.8 million over the 2019-20 Budget forward estimates period. This impact is entirely due to an increase in departmental expenses. The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

The estimates in this costing are based on departmental expenses for similar programs. As the ongoing resourcing requirements for the proposal are expected to be relatively small, estimates are less sensitive to assumptions about the drivers of departmental expenses such as the efficiency dividend and indexation parameters. These estimates do not include any funding to advertise the portal or any additional funding to respond to reports of non-tariff barriers.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-0.6	-0.1	-0.1	-0.1	**-0.8**
Underlying cash balance	-0.6	-0.1	-0.1	-0.1	**-0.8**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The cost of developing the online portal in the first year was based on the costs of similar online portals. The cost of maintaining and monitoring the online portal and reviewing the program annually was estimated as being equivalent to one half of an additional full-time Australian Public Service level 6 staff member. Estimates have been rounded to the nearest $100,000.

Data sources

The Department of Finance provided the standard departmental costing template and indexation rates as at the 2019 Pre-election Economic and Fiscal Outlook.

Parliamentary Budget Office

Policy costing

Increase to official development assistance (ODA)	
Party:	Australian Labor Party
Summary of proposal: The proposal would provide additional funding for overseas development of the following amounts: • $30 million in 2019-20 • $220 million in 2020-21 • $410 million in 2021-22 • $520 million in 2022-23 • $830 million in 2023-24. Additional funding in 2024-25 and beyond would be determined following a review of official development assistance funding to be undertaken in 2023-24.	

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by $1,180 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of $1,104 million and departmental expenses of $76 million over this period.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an impact for one additional year beyond the 2019-20 Budget forward estimates period.

The financial implications of this proposal for 2024-25 and beyond depend on the outcome of the proposed review of official development assistance funding.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-30	-220	-410	-520	**-1,180**
Underlying cash balance	-30	-220	-410	-520	**-1,180**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has assumed that the cost of conducting the proposed review in 2023-24 could be met from within departmental resources.

Methodology

Estimated departmental expenses for the proposal are based on the current profile of the costs of administering official development assistance funding.

All expenses have been rounded to the nearest $1 million.

Data sources

Commonwealth of Australia, 2019. *Department of Foreign Affairs and Trade 2019-20 Portfolio Budget Statements,* Canberra: Commonwealth of Australia.

Attachment A – Increase to official development assistance (ODA) – financial implications

Table A1: Increase to official development assistance – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Expenses					
Administered	*-28*	*-206*	*-383*	*-486*	***-1,104***
Departmental – Department of Foreign Affairs and Trade	*-2*	*-14*	*-27*	*-34*	***-76***
Total – expenses	**-30**	**-220**	**-410**	**-520**	**-1,180**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary Budget Office

Policy costing

Increasing the humanitarian intake	
Party:	Australian Labor Party

Summary of proposal:

This proposal would progressively increase the Commonwealth Government-sponsored humanitarian intake, exclusive of the quota for the Community Support Program. The baseline intake and the intake under the proposal over the period to 2029-30 are provided below.

Year	Baseline	Proposal
2019-20	17,750	17,750
2020-21	17,750	18,000
2021-22	17,750	18,500
2022-23	17,750	19,500
2023-24	17,750	22,000
2024-25	17,750	24,500
2025-26	17,750	27,000
2026-27	17,750	27,000
2027-28	17,750	27,000
2028-29	17,750	27,000
2029-30	17,750	27,000

The proposal would have effect from 1 July 2020.

Costing overview

Australia's humanitarian program has a total of 18,750 places in 2019-20, including the Community Support Program places of 1,000. This proposal would increase Australia's government-sponsored humanitarian intake from the current baseline of 17,750 people per year to 27,000 people per year by 2025-26.

This proposal would be expected to decrease both the fiscal and underlying cash balances by $86 million over the 2019-20 Budget forward estimates period. This impact is due to an increase in administered expenses of $80 million, an increase in departmental expenses of $6 million and a minor increase in revenue.

A breakdown of the financial implications over the period from 2019-20 to 2029-30 is provided at Attachment A. This proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

The impacts on the fiscal and underlying cash balances may differ due to a lag between the timing of when services are provided or revenue is accrued, and when payments are made or revenue is received.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	-11	-22	-63	**-86**
Underlying cash balance	-	-11	-22	-63	**-86**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

The estimated financial implications of this proposal are subject to uncertainty relating to a number of factors, particularly the extent to which new immigrants use welfare programs. The estimates are also very sensitive to the assumptions about the use of government services and the employment outcomes of the humanitarian immigrants. There is limited information regarding the longer-term employment prospects, earnings and use of government services of the people coming to Australia under the humanitarian program. The estimates are also subject to the uncertainties inherent in the baseline estimates.

The financial implications are also sensitive to the assumption that the increase in government-sponsored humanitarian migrants would not affect uptake of the places for community-sponsored applicants via the Community Support Program. Any reduction in uptake of the Community Support Program as a result of this proposal would decrease the net costs of the proposal.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- Under the baseline, Australia's government-sponsored humanitarian places would remain constant at its 2019-20 level of 17,750 people per year.
- Under the baseline and the proposal, the share of the humanitarian intake in the offshore category would be 91 per cent of humanitarian places in each year from 2019-20 to 2029-30.
- Under the baseline and the proposal, the average age profile of the annual humanitarian migrant intake would not change over the costing horizon.
- The specified number of humanitarian places under the proposal would be fully taken up.
- The increases in the government-sponsored humanitarian intake would have no impact on uptake of places for community-sponsored applicants via the Community Support Program.
- The average age profile of the offshore humanitarian intake from 2013-14 to 2017-18 would be applicable to all expenditure and revenue estimates for which age disaggregation is necessary.
- Humanitarian migrants would arrive evenly over each financial year.

- The take-up of welfare payments in each annual cohort of humanitarian migrants would decline gradually over time but would remain above the average take-up among the general Australian population.
  - The average take-up of welfare payments would gradually decline from nearly 100 per cent in the first year to around 60 per cent of the cohort after 10 years.
- Mortality rates of the humanitarian migrants would be similar to that of the general Australian population.

Methodology

The financial implications of the proposal were based on estimated average expenses and average revenue per person in the humanitarian program, and the proposed increase in the number of people in the humanitarian program.

Average per-person financial impacts are based on estimates of:

- the costs of Commonwealth Government services and transfers to which humanitarian migrants have access, such as welfare payments, Medicare benefits, pharmaceutical benefits, child care subsidies, schools, employment services, and settlement services
- the average expected taxation revenue comprising personal income tax, superannuation contributions tax, excise, customs, and good and services tax.

Where relevant, impacts over time for each annual cohort of humanitarian migrants have been estimated at the cohort level, adjusted for attrition due to mortality.

Administered expense and revenue estimates have been rounded to the nearest $10 million. Departmental expenses have been rounded to the nearest $1 million.

Data sources

The Department of Education and Training provided the schools funding model as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Finance provided indexation and efficiency dividend parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Finance provided relevant agency-specific expenditure and revenue models for the humanitarian program from

- the Department of Education and Training
- the Department of Health
- the Department of Human Services
- the Department of Jobs and Small Business
- the Department of Social Services
- The Treasury.

The Department of Health provided the hospitals funding model as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Social Services provided the model for the 2018-19 Budget measure *New Disability Employment Services – transition assistance*.

Australian Bureau of Statistics, 2018. *Deaths, Australia, 2017*. [Online] Available at: https://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/3302.0 [Accessed: 21 April 2019].

Department of Health, 2018. *Annual Medicare Statistics – Financial Year 1984-85 to 2017-18*. [Online] Available at: http://www.health.gov.au/internet/main/publishing.nsf/Content/Annual-Medicare-Statistics [Accessed: 10 April 2019].

Department of Social Services, 2019. *DSS Demographics - December 2018*. [Online] Available at: https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details [Accessed: 10 April 2019].

Attachment A – Increasing the humanitarian intake – financial implications

Table A1: Increasing the humanitarian intake – Fiscal balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Revenue													
Total – revenue	**-**	**..**	**..**	**..**	**10**	**20**	**30**	**50**	**70**	**100**	**120**	**..**	**400**
Expenses													
Administered	-	*-10*	*-20*	*-60*	*-150*	*-290*	*-490*	*-670*	*-850*	*-960*	*-1,000*	***-80***	***-4,490***
Departmental	-	*-1*	*-2*	*-3*	*-8*	*-14*	*-20*	*-22*	*-25*	*-26*	*-26*	***-6***	***-145***
Total – expenses	**-**	**-11**	**-22**	**-63**	**-158**	**-304**	**-510**	**-692**	**-875**	**-986**	**-1,026**	**-86**	**-4,635**
Total	**-**	**-11**	**-22**	**-63**	**-148**	**-284**	**-480**	**-642**	**-805**	**-886**	**-906**	**-86**	**-4,235**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
- Indicates nil.

Table A2: Increasing the humanitarian intake – Underlying cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Receipts													
Total – receipts	**-**	**..**	**..**	**..**	**10**	**20**	**30**	**50**	**70**	**90**	**120**	**..**	**390**
Payments													
Administered	-	*-10*	*-20*	*-60*	*-150*	*-290*	*-480*	*-670*	*-840*	*-960*	*-1,000*	***-80***	***-4,480***
Departmental	-	*-1*	*-2*	*-3*	*-8*	*-14*	*-20*	*-22*	*-25*	*-26*	*-26*	***-6***	***-145***
Total – payments	**-**	**-11**	**-22**	**-63**	**-158**	**-304**	**-500**	**-692**	**-865**	**-986**	**-1,026**	**-86**	**-4,625**
Total	**-**	**-11**	**-22**	**-63**	**-148**	**-284**	**-470**	**-642**	**-795**	**-896**	**-906**	**-86**	**-4,235**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
- Indicates nil.

Parliamentary Budget Office

Policy costing

Labor's fairer Long Stay Parent visa	
Party:	Australian Labor Party

Summary of proposal:

This proposal would abolish the Temporary Sponsored Parent visa, which was announced in the 2017-18 Budget and legislated as part of the *Migration Amendment (Family Violence and Other Measures) Act 2018,* and replace it with a new Long Stay Parent visa that would charge a quarter of the application fees of the current Temporary Sponsored Parent visa, indexed by consumer price index and rounded to the nearest $5.

An uncapped number of the proposed Long Stay Parent visas would be made available each year to parents of Australian citizens, Australian permanent residents and eligible New Zealand citizens to stay in Australia for periods of up to three or five years, with the following conditions.

- The visa would operate under the family sponsorship framework outlined in the *Migration Amendment (Family Violence and Other Measures) Act 2018*. The Australian child of a visa applicant would need to be approved as a sponsor prior to the parent making a visa application.
- Two sets of parents per household (up to a maximum of four) can be sponsored for this visa.
- Visa applicants would be required to hold and maintain health insurance from an Australian provider for the duration of their stay in Australia, and would not be entitled to public health or aged care services in Australia. Any debts to the Commonwealth Government accrued by the visa holder through access to these services would need to be repaid by their sponsor.
- Visa applicants would be required to have an assurance of support from an Australian resident for the full duration of their visas.
- At the end of the visa's duration, visa holders will be required to leave Australia for at least four weeks prior to applying for another visa.

The proposal would commence from 1 July 2019.

Costing overview

This proposal would be expected to increase the fiscal and underlying cash balances by $120 million over the 2019-20 Budget forward estimates period. This impact reflects a net increase in revenue and a decrease in administered expenses.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

The proposal would not be expected to have an impact on departmental expenses as it would not significantly change the administrative complexity of the visa system and would rely on existing resources to process the proposed Long Stay Parent visa.

There is a small difference between the fiscal and underlying cash balance impacts due to a timing difference between when indirect tax revenue is recognised and when payments are received. However, fiscal and underlying cash balance impacts are identical after rounding.

This costing is subject to uncertainty around the projected number of applications for the Temporary Sponsored Parent visa and the proposed Long Stay Parent visa, particularly around the behavioural responses of prospective applicants to the lower visa application charges. As the Temporary Sponsored Parent visa has only recently been legislated, there are currently no data on its uptake. The costing estimates are sensitive to assumptions around the uptake of the proposed Long Stay Parent visa, the average income of visa holders, and indirect tax revenue per resident per year.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	10	20	40	**120**
Underlying cash balance	-	10	20	40	**120**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- The primary consideration for potential applicants of the proposed Long Stay Parent visa is the financial costs associated with visa application and sponsorship.
- There would be an increase in applications for the proposed Long Stay Parent visa, based on the current expected uptake of the Temporary Sponsored Parent visa, with the increase in the number of applicants proportional to the difference between the costs of the current and proposed visas.
- 80 per cent of the applicants for the proposed visa would opt for a three-year visa and the other 20 per cent would apply for a five-year visa.
- Visa holders would stay in Australia for the full duration of their visas.
- 20 per cent of visa holders would be liable for personal income tax in Australia from income on assets.
- The amount of indirect tax, which includes excises, custom duties, and the goods and services tax (GST), paid by each visa holder would be constant over the 2019-20 Budget forward estimates period, based on the average of historical data.
- The number of visa grants as a ratio of visa applications is based on the historical rate of visa grants of similar visa types.

Methodology

The number of applications for the proposed Long Stay Parent visa was calculated by adjusting the estimated number of applications for the Temporary Sponsored Parent visa by the ratio of the costs of the Temporary Sponsored Parent visa to the proposed Long Stay Parent visa. The number of applications multiplied by the visa application charge for each year gives the estimates for visa application charge revenue.

The number of applications was then transformed into visa grants based on historical grant data for similar visa types. Combining the number of visa grants for each year with the assumed period of stay of visa holders gives estimates of the number of new residents for each year. Multiplying these estimates by the estimated personal income tax and indirect tax per resident for each year gives the personal income tax and indirect tax revenue estimates respectively.

The financial implications of the proposal were calculated by summing the visa application charge estimate, the personal income tax estimate and the indirect tax estimate, and then subtracting from the sum the projected loss of revenue from abolishing the Temporary Sponsored Parent visa.

Estimates have been rounded to the nearest $10 million.

Data sources

The Treasury provided the model used for the 2017-18 Budget measure *Temporary sponsored parent visa – establishment*.

The Department of Home Affairs provided the model for estimating the visa application revenue for the Temporary Sponsored Parent visa.

Commonwealth of Australia, 2019. *2019-20 Budget*, Canberra: Commonwealth of Australia.

Attachment A – Labor's fairer Long Stay Parent visa – financial implications

Table A1: Labor's fairer Long Stay Parent visa – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Revenue					
Visa application charge	..	..	..	..	***20***
Personal income tax	-	..	*10*	*20*	***40***
Indirect tax[(c)]	*10*	*40*	*60*	*70*	***190***
Total – revenue	**10**	**40**	**70**	**90**	**250**
Expenses					
GST to states and territories	*-10*	*-30*	*-50*	*-50*	***-130***
Total – expenses	**-10**	**-30**	**-50**	**-50**	**-130**
Total	**-**	**10**	**20**	**40**	**120**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

(c) Indirect tax includes excises, custom duties and GST.

.. Not zero but rounded to zero.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Restoring fairness to Australia's skilled visa system	
Party:	Australian Labor Party

Summary of proposal:

This proposal would increase the Temporary Skilled Migration Income Threshold (the Income Threshold) and change the application charges and levies on the Temporary Skill Shortage visa (subclass 482). The levy would be equal to 3 per cent of the Income Threshold per visa per year for businesses with a turnover under $10 million per year, and 6 per cent of the Income Threshold per visa per year for businesses with a turnover of $10 million and above per year.

Under the proposal, the Income Threshold would be increased to $65,000, indexed with wage growth. The subclass 482 visa would no longer be separated into short-term and medium-term streams but would have a single stream of up to four years, with a pathway to permanent residency. The annual migration intake would remain unchanged at the current level of 160,000. The new visa application charge would be $2,455 per visa application, indexed with the consumer price index. Currently, the visa application charge is $1,175 for the short-term stream and $2,455 for the medium-term stream.

The proposal would also abolish the component of the Skilling Australians Fund Levy that applies to subclass 482 visas, and replace it with a new yearly visa levy paid by employers who hire subclass 482 visa holders. The new levy would be calculated as a percentage of the Income Threshold, based on the size of the employer's business, and would be deductible for company tax purposes. Consistent with the Skilling Australians Fund Levy, the proposed new visa levy will also be paid upfront.

Revenue from the Skilling Australians Fund Levy is currently appropriated for the Skilling Australians Fund to support ongoing vocational education and training. Revenue from the new visa levy would continue to fund the Skilling Australians Fund at the current projected level, with any additional revenue collected returned to consolidated revenue.

The proposal would have effect from 1 July 2019.

Costing overview

Policy background

Currently, sponsors for applicants of the Temporary Skill Shortage visa (subclass 482), the Employer Nomination Scheme visa (subclass 186) and the Regional Sponsor Migration Scheme visa (subclass 187) are required to pay the applicants an acceptable market rate wage for their work so that Australian workers would not be disadvantaged by cheap overseas labour. The minimum salary required is called the Temporary Skilled Migration Income Threshold and is currently set at $53,900. Employers of holders of the abovementioned visas are also required to pay the Skilling Australians Fund Levy to provide funding for vocational training of Australian workers. The current levy rates are $1,200 per year and $1,800 per year for small (turnover under $10 million per year) and large (turnover over $10 million per year) businesses respectively. The levy needs to be paid upfront, based on the number of years employers intend to hire each migrant worker. The current visa application charge for the subclass 482 visa is $1,175 for the short-term stream and $2,455 for the medium-term stream, both of which are indexed to the consumer price index.

Financial implications

The proposal would be expected to increase the fiscal and the underlying cash balances by $510 million over the 2019-20 Budget forward estimates period. This impact reflects a net increase in revenue and a decrease in administered expenses.

A breakdown of the financial implications of the proposal over the 2019-20 Budget forward estimates period is provided at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

The proposal would not be expected to have an impact on departmental expenses because it would not be expected to change the administrative complexity of the visa system.

There is a small difference between the fiscal and underlying cash balance impacts due to a timing difference between when indirect tax liabilities are recognised and when they are collected. However, fiscal and underlying cash balance impacts are identical after rounding.

Uncertainty

This costing is subject to a high level of uncertainty, particularly in relation to the labour demand elasticity for skilled migrant workers and the substitutability between domestic and foreign workers. The estimates are also very sensitive to the assumptions used in this costing, such as future visa applications, substitutions between visas, visa grants, visa fees, and the income distribution of skilled migrant workers. Changes in the assumptions could affect the costing estimates significantly. The proposal would be expected to reduce the overall size of the labour force in the economy, which could have broader economic effects. It would also be expected to have an impact on the overall level of corporate profits as a result of an increase in the cost of skilled labour. The magnitude and timing of these broader economic effects are highly uncertain and have not been included.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	50	160	140	160	**510**
Underlying cash balance	50	160	140	160	**510**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

Businesses

- Businesses would not be able to replace temporary foreign workers with local workers, as evidenced by the strict labour market testing requirements already in place as part of the visa application process. Additionally, research suggests that the skilled migrant intake does not materially affect labour market outcomes of Australians.[1]
- The labour demand elasticity for temporary skilled visa holders (subclass 482) would be -0.5 and the labour demand elasticity for permanent skilled visa holders (subclass 186 and subclass 187) would be -0.4 over the 2019-20 Budget forward estimates period.[2] These elasticities would mean that some visa holders whose current salary level is below the proposed Income Threshold would no longer be employed in Australia under the proposal, while others would see their salaries and wages increase to the new Income Threshold as businesses could not find suitable replacements in the domestic labour market and have to pay higher salaries to skilled migrant workers.[3] It should be noted that if the response of employment to the increase in wages was more significant, the fiscal impacts could be reduced.

Visa holders

- The grant rate of subclass 482 visas would be equal to the historical average grant rate of subclass 457 (the previous Temporary Skilled Migrant visa replaced by subclass 482 visa) and subclass 482 visas over the 2019-20 Budget forward estimates period.
- The number of applications and grants for the subclass 186 and subclass 187 visas would remain unchanged from their 2020-21 levels over the 2019-20 Budget forward estimates period.
- The increase in the visa application charge for the subclass 482 visa would cause some behavioural changes by applicants.
  - Around 20 per cent of the applications for the short-term stream of the visa would switch to the Temporary Work (Short Stay Specialist) visa (subclass 400) in response to the increase in visa application charges.
- The number of secondary visa applications as a proportion of the number of primary visa applications for each visa subclass would remain constant at around 80 per cent over the 2019-20 Budget forward estimates period, based on historical data from the Department of Home Affairs.
- The total amount of salaries and wages earned by secondary visa holders would be approximately 40 per cent of that of primary visa holders for each year over the 2019-20 Budget forward estimates period, based on an analysis of data provided by the Australian Taxation Office (ATO).

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[1] See Breunig, Deutscher, To, 2016, *The Relationship between Immigration to Australia and the Labour Market Outcomes of Australian-Born Workers*, Economic Record, Volume 93, Issue 301.

[2] The labour demand elasticity is a measure of the responsiveness of labour demand to changes in wages. It measures the proportional change in the number of people employed resulting from a proportional change in employees' wages. An elasticity of -0.5 means that for every 1 per cent increase in wages, there would be a 0.5 per cent decrease in the number of people employed.

[3] Mowbray, Rozenbes, Wheatley and Yuen, 2009, *Changes in the Australian Labour Market over the Economic Cycle*, Australian Fair Pay Commission Research Report No. 9/09.

- The income distribution of holders of the Employer Nomination Scheme visa (subclass 186) and the Regional Sponsor Migration Scheme visa (subclass 187) is assumed to be the same as that of Temporary Skilled Migrant visa (subclass 457 and subclass 482).
- Wages of temporary foreign workers would increase in line with the projected growth in full-time adult average weekly total earnings.
- There will be no ongoing impact from creating a pathway to permanent residency for subclass 482 visa holders since the current level of total migration intake of 160,000 would remain unchanged.

Skilling Australians Fund Levy

- 65 per cent of temporary skilled migrants would be employed by businesses with an annual turnover of less than $10 million, while the other 35 per cent would be employed by medium and large businesses.
- 72 per cent of holders of the Employer Nomination Scheme (subclass 186) visa and the Regional Sponsor Migration Scheme (subclass 187) visa would be employed by businesses with an annual turnover of less than $10 million.

Flow-on effects

- Decreases in the number of temporary skilled workers would lead to decreases in indirect taxes such as excises, custom duties, and the goods and services tax (GST).

Methodology

The proportion of visa holders subject to the Income Threshold who would be affected by the proposal was estimated using data provided by the ATO for the 2016-17 financial year, adjusted for wage growth. Based on the assumptions listed above, the decrease in the number of visa holders was estimated for each year over the 2019-20 Budget forward estimates period. The impact on personal income tax revenue was calculated by applying the average marginal tax rate to the difference between the increase in total taxable income from increased wages and the decrease from fewer migrant workers.

The financial implications of the visa application charge component were estimated by multiplying the increase in visa application charges with the projected number of applications subject to increased visa application charges for each year over the 2019-20 Budget forward estimates period, and then adjusting for the decrease in fees from fewer applicants.

The financial implications of abolishing the Skilling Australians Fund Levy were estimated by multiplying the current forecasts of the number of visa holders by the levy rate for each year over the 2019-20 Budget forward estimates period.

The financial implications of the visa levy component were estimated by examining the total levies collected under the current arrangement and under the proposed arrangement.

The indirect tax impacts were estimated by multiplying the change in the number of residents by the estimated indirect tax revenue per resident for each year over the 2019-20 Budget forward estimates period.

Estimates have been rounded to the nearest $10 million.

Data sources

The ATO provided data on primary holders of visas subject to the Income Threshold for the 2015-16 and 2016-17 financial years.

The Department of Home Affairs provided data on the number of applications, grants and fees for visas subject to the Income Threshold over the period to 2022-23.

The Department of Home Affairs provided the model used for the 2017-18 Budget measure *Skilling Australians Fund Levy – introduction*, as well as the proportion of visa holders employed by companies with turnover less than $10 million.

Department of Home Affairs, 2019. *Temporary visa holders in Australia*, Canberra: Commonwealth of Australia, accessed on 15 March 2019.

Department of Home Affairs, 2019. *Temporary resident (skilled) visas granted pivot table*, Canberra: Commonwealth of Australia, accessed on 15 March 2019.

Department of Home Affairs, 2019. *Temporary resident (skilled) visa holders pivot table*, Canberra: Commonwealth of Australia, accessed on 15 March 2019.

Breunig, Deutscher, To, 2016. *The Relationship between Immigration to Australia and the Labour Market Outcomes of Australian-Born Workers*, Economic Record, Volume 93, Issue 301.

Mowbray, Rozenbes, Wheatley and Yuen, 2009, *Changes in the Australian Labour Market over the Economic Cycle*, Australian Fair Pay Commission Research Report No. 9/09.

Attachment A – Restoring fairness to Australia's skilled visa system – financial implications

Table A1: Restoring fairness to Australia's skilled visa system – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Revenue					
Personal tax revenue	..	..	..	..	**..**
Skilling Australians Fund Levy revenue	-110	-120	-120	-130	***-480***
New levy revenue	140	280	300	330	***1,050***
Company tax	-	-10	-50	-50	***-110***
Visa fees revenue	20	20	20	30	***90***
Indirect tax revenue	-10	-30	-40	-60	***-140***
Total – revenue	**40**	**140**	**110**	**120**	**410**
Expenses					
GST to states and territories	10	20	30	40	***100***
Total – expenses	**10**	**20**	**30**	**40**	**100**
Total	**50**	**160**	**140**	**160**	**510**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

SMART visa	
Party:	Australian Labor Party
Summary of proposal: This proposal would introduce a new SMART visa for world-leaders in science, medicine, academia, research and technology to ensure that universities, research institutes, medical, scientific and advanced technology industries, and public research agencies can bring the best and brightest talent to Australia. The new visa would be uncapped and cover jobs that are not on the skilled occupation list. A list of jobs eligible for the proposed SMART visa, along with their Australian and New Zealand Standard Classification of Occupations (ANZSCO) codes, is included at Attachment A. The proposed SMART visa would be subject to the Temporary Skilled Migration Income Threshold (TSMIT) and the same visa application charge as the Temporary Skill Shortage (subclass 482) visa. Employers of holders of the proposed SMART visa would be exempt from the Skilling Australians Fund Levy if their annual turnovers are under $10 million whereas those with annual turnovers of $10 million and over would be charged 6 per cent of the TSMIT per visa per year. The proposal would commence from 1 July 2019.	

Costing overview

This proposal would be expected to have a small but unquantifiable impact on the fiscal and underlying cash balances over the 2019-20 Budget forward estimates period. The proposal would be expected to have an ongoing unquantifiable impact beyond the 2019-20 Budget forward estimates period.

This proposed SMART visa would complement the existing Temporary Skill Shortage (subclass 482) visa. The Government introduced the Global Talent Scheme under the Temporary Skill Shortage (subclass 482) visa on 1 July 2018, which provided greater flexibility to businesses to attract highly skilled foreign workers, including no occupation restrictions, ability to negotiate variations on visa requirements, priority processing, and access to a permanent residence pathway. As the Global Talent Scheme only had a very small number of applications in the first seven months of its operation, it would be expected that the take up of the proposed SMART visa would be very low. It would be expected that the proposed SMART visa would be attractive to businesses with annual turnovers under $10 million because of its exemption from the Skilling Australian Fund Levy.

This costing is subject to uncertainty around the number of visa applications for the proposed visa and the occupations nominated for the applicants. The financial impact of each application depends on whether or not the applicant would have otherwise applied for the Temporary Skill Shortage (subclass 482) visa. Prospective applicants who shift to the SMART visa from other visa types would be expected to have a negative revenue impact due to loss of Skilling Australians Fund Levy revenue. Other applicants would be expected to have a positive revenue impact. The overall cost of the proposal is cannot be quantified because there is no information available about potential applicants.

Table 1: Financial implications ($m)

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	*	*	*	*	*
Underlying cash balance	*	*	*	*	*

* Unquantifiable.

Data sources

Department of Home Affairs, 2019. *Freedom of Information request FA19/01/00704*, Canberra: Department of Home Affairs.

Attachment A – SMART visa – List of eligible jobs

Occupation	ANZSCO code
Aeronautical Engineer	233911
Agricultural Engineer	233912
Agricultural Scientist	234112
Analyst Programmer	261311
Anatomist or Physiologist	234512
Biochemist	234513
Biomedical Engineer	233913
Biotechnologist	234514
Botanist	234515
Chemical Engineer	233111
Chemist	234211
Chief Information Officer	135111
Civil Engineer	233211
Computer Network & Systems Engineer	263111
Dental Specialist	252311
Developer Programmer	261312
Economist	224311
Electrical Engineer	233311
Engineering Professionals	233999
Engineering Technologist	233914
Environmental Consultant	234312
Environmental Engineer	233915
Environmental Research Scientist	234313
Environmental Scientist	234399
Forest Scientist	234113
Geologist	234411
Geophysicist	234412
Geotechnical Engineer	233212
Hospital Pharmacist	251511
ICT Account Manager	225211
ICT Business Analyst	261111
ICT Business Development Manager	225212
ICT Manager	135199
ICT Project Manager	135112

Occupation	ANZSCO code
ICT Quality Assurance Engineer	263211
ICT Sales Representative	225213
ICT Security Specialist	262112
ICT Support Engineer	263212
ICT Systems Test Engineer	263213
Industrial Designer	232312
Industrial Engineer	233511
Industrial Pharmacist	251512
Information and Organisation Professional	224999
Marine Biologist	234516
Materials Engineer	233112
Mathematician	224112
Mechanical Engineering Technician	312512
Medical Laboratory Scientist	234611
Metallurgist	234912
Microbiologist	234517
Multimedia Specialist	261211
Natural and Physical Science Professional	234999
Naval Architect	233916
Network Analyst	263113
Physicist	234914
Resident Medical Officer	253112
Software & Applications Programmers	261399
Software Engineer	261313
Software Tester	261399
Statistician	224113
Structural Engineer	233214
Systems Analyst	261112
Transport Engineer	233215
University Lecturer	242111
University Tutor	242112
Veterinarian	234711
Web Designer	232414
Zoologist	234518

Parliamentary
Budget Office

Policy costing

Student Guide Program – Sir John Monash Centre	
Party:	Australian Labor Party

Summary of proposal:

This proposal would establish a tertiary Student Guide Program (the Program) that would be located at the Sir John Monash Centre in Villers-Bretonneux, France. Each student guide would receive a stipend that would include:

- the French minimum wage, based on a 35-hour working week
- rent assistance provided at 50 per cent of the average monthly rental costs in Villers-Bretonneux, France
- upon completion of the Program, a 75 per cent reimbursement of the cost of return flights to Charles de Gaulle Airport, France.

Each placement would be for a period of four months, with eight student placements available each year.

The proposal would commence from 1 January 2020.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $0.8 million over the 2019-20 Budget forward estimates period. This impact is due to an increase in administered expenses of $0.4 million and an increase in departmental expenses of $0.4 million over this period.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

This costing is sensitive to assumptions around the take-up rate of the Program, assumed rental costs, future changes to the French minimum wage, and future exchange rates.

Table 1: Financial implications ($m)[(a)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-0.2	-0.2	-0.2	-0.2	**-0.8**
Underlying cash balance	-0.2	-0.2	-0.2	-0.2	**-0.8**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- All eight student placements would be taken up each year.
- All students would successfully complete the Program.
- The average monthly rental costs of the nearby city of Amiens, France is representative of rental costs in Villers-Bretonneux, France.

Methodology

The administered expenses related to the stipend were estimated by:

- forecasting the current French monthly minimum wage using historical data from Eurostat
- using the average rent per month for a one-bedroom apartment in Amiens, France, applying the 50 per cent reimbursement, and applying indexation based on historical rental price data from the National Institute of Statistics and Economic Studies
- using the average cost of long-haul low-cost flights for return flights out of Australia to calculate the expenses relating to the 75 per cent reimbursement of flights to Charles de Gaulle Airport, France.

The departmental expenses were estimated by determining the number of staff that would be involved in the application process of the Program and the number of staff that would be required for the management of the Program.

All estimates were rounded to the nearest $100,000.

Data sources

Eurostat, 2019. *Monthly minimum wages – bi-annual data*. [Online] Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn_mw_cur&lang=en [Accessed 10 April 2019].

National Institute of Statistics and Economic Studies, 2019. *Consumer price index – Base 2015 – All households - France - COICOP classification: 04.1.1.0 - Actual rentals paid by tenants*. [Online] Available at https://www.insee.fr/en/statistiques/serie/001763532#Tableau [Accessed 10 April 2019].

Kiwi.com, 2019. *Flight Price Index*. [Online] Available at: https://www.kiwi.com/stories/flight-price-index-2017/usd/ [Accessed 10 April 2019].

Numbeo, 2019. *Cost of Living in Amiens*. [Online] Available at: https://www.numbeo.com/cost-of-living/in/Amiens-France [Accessed 10 April 2019 2018].

The Department of Finance provided indexation and efficiency dividend parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

The Treasury provided exchange rate data as at the 2019 Pre-election Economic and Fiscal Outlook.

Attachment A – Student Guide Program – Sir John Monash Centre – financial implications

Table A1: Student Guide Program – Sir John Monash Centre – Fiscal and underlying cash balances ($m)[(a)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Expenses					
Administered	*-0.1*	*-0.1*	*-0.1*	*-0.1*	***-0.4***
Departmental	*-0.1*	*-0.1*	*-0.1*	*-0.1*	***-0.4***
Total – expenses	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.8**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

Parliamentary Budget Office

Policy costing

150,000 apprenticeship incentives	
Party:	Australian Labor Party

Summary of proposal:

This proposal would amend the *Additional Identified Skills Shortage Payment* component in the 2019-20 Budget measure *Skills Package – delivering skills for today and tomorrow* by increasing the number of apprenticeships supported by the measure by 70,000 over three years, with:

- 20,000 additional apprenticeships supported in 2021
- 20,000 additional apprenticeships supported in 2022
- 30,000 additional apprenticeships supported in 2023.

Consistent with the 2019-20 Budget measure, this payment would provide additional incentives to employers and apprentices in occupations experiencing national skills shortages, as follows.

- Eligible employers would be provided a payment of $2,000 12 months following the commencement of an apprenticeship, and a payment of $2,000 at the completion of an apprenticeship.
- Eligible apprentices would be provided a payment of $1,000 12 months following the commencement of an apprenticeship, and a payment of $1,000 at the completion of an apprenticeship.

These payments would be in addition to employer incentive payments of $1,500 upon commencement of an apprenticeship and $2,500 upon completion of an apprenticeship that are currently available under the Australian Apprenticeships Incentives Programme.

The proposal would have effect from 1 January 2021.

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by $126 million over the 2019-20 Budget forward estimates period. This impact entirely reflects an increase in administered expenses.

Beyond the 2019-20 Budget forward estimates, the proposal would be expected to have an impact over the period from 2023-24 to 2027-28, as the average duration of apprenticeships is assumed to be three years. The financial implications of the proposal over the period from 2019-20 to 2029-30 are provided at Attachment A.

The estimated financial implications of this proposal are sensitive to a number of factors, particularly the responses of apprentices and employers to the proposal. In particular, there are significant uncertainties around the share of apprentices who would shift their apprenticeship into an eligible field as a result of the additional incentives, and around the impact of the proposal on apprenticeship completion rates over the costing horizon.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	-11	-43	-73	**-126**
Underlying cash balance	-	-11	-43	-73	**-126**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing the proposal.

- Any enabling legislation would be passed before the commencement of the proposal.
- The average duration of apprenticeships would be three years from commencement to completion.
- The number of apprentices supported would be capped at the specified level for each year of the proposal and all places would be taken up.
- All apprentices would start their apprenticeship in January of each year.
- Seventy-eight per cent of apprentices would complete the first year of their apprenticeship and 60 per cent of apprentices would complete their apprenticeship.
  - This assumes some increase relative to current rates, given the financial incentives to complete apprenticeships under the proposal.
- One-quarter of the specified apprenticeship places would be filled by apprentices who would have otherwise commenced an apprenticeship in an area not experiencing a skills shortage.
- Three-quarters of the specified apprenticeships would be new commencements.
  - There are likely to be flow-on impacts as a result of the assumed new apprenticeship commencements (for example increased trade support loans take-up and reduced Newstart Allowance payments). Consistent with the methodology used to model the 2019-20 Budget measure *Skills Package – delivering skills for today and tomorrow – Additional Identified Skills Shortage Payment*, these impacts have not been included in this costing.
- An allowance has been included in this costing for payments made to the Australian Apprenticeships Support Network to support the increased number of apprenticeships.
- All apprentices filling the additional places, and 95 per cent of employers hiring apprentices filling the additional places, would claim the incentive payments provided.

- This factors in a small increase for employers given the larger incentives under the *Additional Identified Skills Shortage Payment* relative to existing incentives.

- There would be no departmental expenses associated with the proposal as it is an extension of the existing Australian Apprenticeships Incentives Programme.

Methodology

The value of payments made under this proposal was calculated by multiplying the specified number of recipients at each of the payment intervals by the respective specified payment amounts.

All estimates have been rounded to the nearest $1 million.

Data sources

The Department of Education and Training provided the estimates model for the 2019-20 Budget measure *Skills Package – delivering skills for today and tomorrow – Additional Identified Skills Shortage Payment.*

Commonwealth of Australia, 2019. *2019-20 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2019. *2019-20 Budget Fact sheet: Delivering Skills for Today and Tomorrow*. [Online] Available at: https://budget.gov.au/2019-20/content/factsheets/skills_package.htm [Accessed 03.04.2019].

Department of Education and Training, 2019. *Portfolio Budget Statements 2019-20*. [Online] Available at https://docs.education.gov.au/system/files/doc/other/education_and_training_portfolio_budget_statements_2019-20.docx [Accessed 04.04.2019].

Department of Education and Training, 2019. *Skills and Training Budget Overview 2019-20.* [Online] Available at: https://www.education.gov.au/skills-and-training-budget-overview-2019-20 [Accessed 04.04.2019].

Attachment A – 150,000 apprenticeship incentives – financial implications

Table A1: 150,000 apprenticeship incentives – Fiscal and underlying cash balances ($m)[a][b]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Total – administered expenses	-	-11	-43	-73	-100	-92	-72	-47	-7	-	-	**-126**	**-444**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Funding for government schools	
Party:	Australian Labor Party

Summary of proposal:

This proposal would increase Commonwealth Government funding to government schools as specified below. These amounts represent the financial-year implications of calendar-year funding.

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
($million)	195	924	1,442	1,374	1,387	1,495	1,624	1,768	1,903	2,049	2,057

This funding would be distributed across government school systems to achieve the following outcomes over the period to the end of the 2022 calendar year.

- The Northern Territory would receive 23.1 per cent of the Schooling Resource Standard (SRS) in calendar years 2020 and 2021, increasing to 25.0 per cent in 2022.
- All other states and the Australian Capital Territory would receive identical Commonwealth Government funding as a proportion of the SRS for each jurisdiction in each year.
  - In the event that equalising shares of the SRS across these jurisdictions would result in a jurisdiction receiving less funding under the proposal than under the baseline in any year, that jurisdiction would receive funding as a share of the SRS equal to its baseline amount for that year.

The proposal would have effect from 1 January 2020.

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $3,935 million over the 2019-20 Budget forward estimates period. This impact is entirely due to an increase in administered expenses.

A breakdown of the financial implications of this proposal from 2019-20 to 2029-30 is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

Departmental expenses are not expected to be significant and have not been included in the costing as the proposal does not involve a significant change in the complexity of administering the school funding system.

The financial implications of the proposal relate to a specific amount of additional funding for government schools and are certain. Over the period to 2022, funding is to be allocated as a share of the SRS. These estimates are sensitive to future growth in enrolments and changes in the SRS (which is indexed annually).

Under both the baseline and the proposed scenario, funding for government school systems would be provided to the relevant approved authorities, who are ultimately responsible for distributing Commonwealth Government funding.

Table 1: Financial implications ($m)[a][b]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-195	-924	-1,442	-1,374	**-3,935**
Underlying cash balance	-195	-924	-1,442	-1,374	**-3,935**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

In costing this proposal the Parliamentary Budget Office (PBO) has assumed that the specified capped funding from the 2023 calendar year onwards would be allocated across jurisdictions based on an approach to be determined at a later date.

Methodology

The proposal was costed using the schools funding model provided by the Department of Education and Training. The PBO projected enrolment growth from 2029 onwards based on average growth over 2024 to 2028.

The share of the SRS for government school systems was increased based on total annual funding amounts specified in the proposal with an adjustment to funding allocated to the Northern Territory from 2020 to 2022. The increases were applied so that no school system has a funding decrease under the proposal.

Calculations have been made on a calendar-year basis in line with the school year and converted to financial years.

Estimates have been rounded to the nearest $1 million.

Data sources

The Department of Education and Training provided the schools funding model as at the 2019 Pre-election Economic and Fiscal Outlook.

Attachment A – Funding for government schools – financial implications

Table A1: Funding for government schools – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Total – expenses	-195	-924	-1,442	-1,374	-1,387	-1,495	-1,624	-1,768	-1,903	-2,049	-2,057	**-3,935**	**-16,218**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary
Budget Office

Policy costing

Higher Education Package	
Party:	Australian Labor Party

Summary of proposal:

- Component 1: The Commonwealth Grant Scheme (CGS) funding calculation for undergraduate places at higher education institutions would be amended to remove the aggregate CGS funding cap so that each additional student attracts CGS funding. Medical undergraduate places would remain allocated. Funding rates (that is, CGS grant funding per student) in 2020 would be equivalent to the undergraduate rates in 2019 and then, from 2021, indexed by the consumer price index (CPI).
- Component 2: CGS places in sub-bachelor, postgraduate and enabling courses would be allocated via a competitive funding round. Growth in these places would align to that projected in the 2019-20 Budget but be allocated via competitive funding rounds based on a new national interest test. Funding rates across all course levels in 2020 would be equivalent to the undergraduate rates in 2019 and then, from 2021, indexed by the CPI.
- Component 3: The 2014-15 Budget measure *Expanding Opportunity – a more effective Higher Education Participation Programme* would be reversed.
- Component 4: A once-off infrastructure and priorities pool of $300 million would be established (inclusive of departmental funding) distributed as follows:

	2019-20	2020-21	2021-22	2022-23	2023-24
$ million	30	67.5	67.5	67.5	67.5

  – This would include providing $9.9 million to CQUniversity to fund Stage 2 of its Asia Pacific Aviation Hub.

All components would have effect from 1 January 2020.

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by $826 million over the 2019-20 Budget forward estimates period.

This proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period. The disaggregated impacts of the proposal over the period from 2019-20 to 2029-30 are provided at Attachment A.

The costing includes a small amount of departmental expenditure for the Department of Education and Training.

The estimates of the financial implications of this proposal are subject to uncertainty related to a number of factors, particularly potential behavioural responses by students and education institutions affected by the proposal.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-16	-123	-273	-411	**-826**
Underlying cash balance	-16	-123	-273	-411	**-826**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

In costing this proposal, the Parliamentary Budget Office has made the following assumptions.

- The proposal would not affect projected student numbers (measured in equivalent full-time student load).
  - For Component 1, the assumption that domestic undergraduate student loads are unaffected is consistent with the Department of Education and Training's projection that the component of the 2017-18 Mid-Year Economic and Fiscal Outlook measure *Higher Education reforms – revised implementation* that capped growth in CGS funding would not affect student loads. As such, its reversal is also not projected to affect student loads.
  - For Component 2, the policy design specifies that the growth in allocated places remains the same as the baseline.
- Voluntary Higher Education Loan Program (HELP) repayments would not be affected by this proposal.
- Demand for HELP loans would not be affected by this proposal.
- The Department of Education and Training would require a small amount of departmental expenditure to administer the proposal.
  - Amending the CGS funding calculation for undergraduate places would not be expected to result in additional departmental expenses as the implementation of Component 1 is expected to be within the scope of administering the existing CGS.
  - The new competitive funding rounds for allocating sub-bachelor, enabling and postgraduate places (Component 2) are assumed to require a small amount of departmental expenditure.
  - A small amount of departmental expenditure has been included for the administration of the infrastructure and priorities pool (Component 4).

Methodology

Components 1 and 2

The funding rate for each course cluster in 2019 is derived based on the total allocated CGS funding and the estimated equivalent full-time student load. As specified by the proposal, the funding rates in 2020 are equivalent to those in 2019 and are indexed by the CPI in subsequent years. Total CGS funding under the proposal is then calculated by multiplying the funding rates by the estimated equivalent full-time student load. The financial impact of the CGS component of the proposal is the difference between the total CGS funding estimates under the proposal and the total baseline CGS funding estimates as at the 2019-20 Pre-election Economic and Fiscal Outlook.

Departmental expenditure estimates for changing funding for allocated places (Component 2) are based on similar-sized programs and account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

The estimated equivalent full-time student load per calendar year for undergraduate, postgraduate and sub-bachelor students reflects projections that are based on historical information. The estimated equivalent full-time student load for enabling courses is derived as a proportion of the total estimated equivalent full-time student load for the CGS.

Component 3

The financial impacts of this component are derived by unwinding the 2014-15 Budget measure, updated as at the 2019-20 Pre-election Economic and Fiscal Outlook.

As no departmental expenses were included in the 2014-15 Budget measure, it is not anticipated that the reversal of the measure would have a material impact on departmental expenses.

Component 4

Capped total funding was specified in the policy specification. A small amount of departmental expenditure was factored in for the expected costs of administering the fund.

All components

All estimates have been rounded to the nearest $1 million.

Data sources

The Department of Education and Training provided:

- the 2019-20 Pre-election Economic and Fiscal Outlook CGS estimates model
- the estimates model for the 2014-15 Budget measure *Expanding Opportunity – more effective Higher Education Participation Programme*
- the estimates model for the 2017-18 Mid-Year Economic and Fiscal Outlook measure *Higher Education reforms – revised implementation*.

The Department of Finance provided indexation and efficiency dividend parameters as at the 2019-20 Pre-election Economic and Fiscal Outlook.

Attachment A – Higher Education Package – financial implications

Table A1: Higher Education Package – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Expenses													
Administered													
Component 1: Amend Commonwealth Grant Scheme funding calculation for undergraduate places	*-13*	*-111*	*-264*	*-405*	*-566*	*-748*	*-938*	*-1,136*	*-1,344*	*-1,562*	*-1,789*	***-793***	***-8,876***
Component 2: Change funding rates for allocated places	*35*	*72*	*75*	*78*	*81*	*83*	*86*	*88*	*90*	*92*	*95*	***259***	***874***
Component 3: Reverse the 2014-15 Budget measure Expanding Opportunity – a more effective Higher Education Participation Programme	*-8*	*-17*	*-17*	*-17*	*-18*	*-18*	*-19*	*-19*	*-20*	*-20*	*-21*	***-59***	***-193***
Component 4: Infrastructure and priorities pool	*-30*	*-67*	*-67*	*-67*	*-67*	-	-	-	-	-	-	***-231***	***-298***
Total – administered	***-16***	***-123***	***-273***	***-411***	***-570***	***-683***	***-871***	***-1,067***	***-1,274***	***-1,490***	***-1,715***	***-824***	***-8,493***
Departmental													
Component 1: Amend Commonwealth Grant Scheme funding calculation for undergraduate places	-	-	-	-	-	-	-	-	-	-	-	-	-
Component 2: Change funding rates for allocated places	..	..	..	..	..	..	..	..	..	..	..	***-1***	***-2***
Component 3: Reverse the 2014-15 Budget measure Expanding Opportunity – a more effective Higher Education Participation Programme	-	-	-	-	-	-	-	-	-	-	-	-	-
Component 4: Infrastructure and priorities pool	..	..	..	..	..	..	..	..	..	..	..	***-1***	***-2***
Total – departmental	-	-	-	-	-	-	-	-	-	-	-	***-2***	***-4***
Total	**-16**	**-123**	**-273**	**-411**	**-570**	**-683**	**-871**	**-1,067**	**-1,274**	**-1,490**	**-1,715**	**-826**	**-8,497**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Parliamentary
Budget Office

Policy costing

Labor's plan for cheaper child care	
Party:	Australian Labor Party

Summary of proposal:

This proposal would increase the child care subsidy rates and income thresholds as follows.

Current annual family income thresholds	Current child care subsidy rate (per cent)	Proposed child care subsidy rate (per cent)
Up to $68,164	85	100
$68,165 to $100,000	Tapered reduction from 85 to 50	Tapered reduction from 100 to 85
$100,001 to $173,164		Tapered reduction from 85 to 60
$173,365 to $252,454	50	50
$252,455 to $342,454	Tapered reduction from 50 to 20	Tapered reduction from 50 to 20
$342,455 to $352,454	20	20
$352,455 or more	0	0

The proposal would have effect from 1 July 2020.

Costing overview

This proposal would be expected to decrease the fiscal balance by $4,047 million and decrease underlying cash balance by $3,975 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, the impact reflects an increase in administered expenses of $4,043 million and an increase in departmental expenses of $4 million for system implementation costs.

The underlying cash balance impact differs from the fiscal balance impact because of a timing difference between when expenses are recognised and when they are paid. This timing difference is a result of 5 per cent of child care subsidy entitlements in a financial year being withheld and paid in the following year. This allows child care subsidy entitlements to be reconciled for any differences in estimated and actual family income for the year.

The proposal would be expected to have financial implications beyond the 2019-20 Budget forward estimates period. A breakdown of the financial implications from 2019-20 to 2029-30 is provided at Attachment A.

There is significant uncertainty around the baseline data that were used in this costing as there is limited information available about the operation of the new child care system that commenced in July 2018 and forms the baseline for this costing. The costing is also sensitive to assumptions regarding future child care use, growth in child care fees, and growth in family incomes.

This proposal has been completed on a stand-alone basis. However, it is worth noting that this proposal's financial implications may be affected by interactions with two other Australian Labor Party early childhood education election commitments (*National Preschool and Kindy Program* (PER307) and *Better pay for early childhood educators* (PER348)).

The magnitude of these interactions is difficult to quantify because it is unclear how these three proposals would interact in practice, particularly given the uncertainty regarding families' choices between attending child care or preschool. Other factors that would affect potential interactions include differing start dates for the proposals and the extent to which private sector child care centres and preschools based in government schools may seek to draw on the same workforce to meet increased demand. Given these uncertainties, no allowance for interactions has been incorporated.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-4	-1,254	-1,348	-1,441	**-4,047**
Underlying cash balance	-4	-1,191	-1,343	-1,436	**-3,975**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- Child care use would increase as a result of the proposal, reflecting the additional incentives (above those already reflected in the baseline policy) for families to change their behaviour.[1]
- Growth in child care expenditure over the medium term is based on the assumption that growth in child care fees would gradually converge to wages growth over this period.

Methodology

Administered costs were calculated by modifying the child care subsidy rates and income thresholds as specified within the Department of Education and Training child care model, using a 20 per cent sample of 2016-17 unit record child care payment administrative data adjusted for the 2018 changes to child care subsidy arrangements. These costs were adjusted by the small behavioural response outlined above.

The underlying cash balance financial implications were estimated by reducing the fiscal balance estimates by 5 per cent, reflecting the timing difference that results from the current child care subsidy withholding arrangements.

All estimates are rounded to the nearest $1 million.

[1] The Treasury, 2012. *Estimating net child care price elasticities of partnered women with pre-school children using a discrete structural labour supply-child care model.*

Data sources

The Department of Education and Training provided its child care model and data.

The Department of Finance provided 2019 Pre-election Economic and Fiscal Outlook indexation parameters.

Commonwealth of Australia ,2019. *2019-20 Budget*, Canberra: Commonwealth of Australia.

The Treasury, 2012. *Estimating net child care price elasticities of partnered women with pre-school children using a discrete structural labour supply-child care model.* [Online] Available at: https://treasury.gov.au/publication/estimating-net-child-care-price-elasticities-of-partnered-women-with-pre-school-children-using-a-discrete-structural-labour-supply-child-care-model.

Attachment A – Labor's plan for cheaper child care – financial implications

Table A1: Labor's plan for cheaper child care – Fiscal balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Expenses													
Administered	-	*-1,254*	*-1,348*	*-1,441*	*-1,542*	*-1,595*	*-1,649*	*-1,705*	*-1,762*	*-1,821*	*-1,882*	***-4,043***	***-15,999***
Departmental	*-4*	-	-	-	-	-	-	-	-	-	-	***-4***	***-4***
Total – expenses	**-4**	**-1,254**	**-1,348**	**-1,441**	**-1,542**	**-1,595**	**-1,649**	**-1,705**	**-1,762**	**-1,821**	**-1,882**	**-4,047**	**-16,003**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Table A2: Labor's plan for cheaper child care – Underlying cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Payments													
Administered	-	*-1,191*	*-1,343*	*-1,436*	*-1,537*	*-1,592*	*-1,646*	*-1,702*	*-1,759*	*-1,818*	*-1,879*	***-3,971***	***-15,905***
Departmental	*-4*	-	-	-	-	-	-	-	-	-	-	***-4***	***-4***
Total – payments	**-4**	**-1,191**	**-1,343**	**-1,436**	**-1,537**	**-1,592**	**-1,646**	**-1,702**	**-1,759**	**-1,818**	**-1,879**	**-3,975**	**-15,909**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

National Preschool and Kindy Program	
Party:	Australian Labor Party

Summary of proposal:

This proposal has two components that relate to the National Partnership Agreement on Universal Access to Early Childhood Education, which determines Commonwealth, state and territory funding for preschool attendance. The current agreement concludes at the end of the 2020 calendar year.

- Component 1 would make preschool funding for four-year-old children ongoing and would provide free access for up to 600 hours per child per year across all preschool settings from 1 January 2021. The current state-to-Commonwealth funding ratio would remain unchanged.
- Component 2 would provide ongoing preschool funding to allow free access to preschool for three-year-old children for up to 600 hours per year across all preschool settings from 1 January 2021. The current state-to-Commonwealth preschool funding ratio would also apply to three-year-old children.

The proposal would also provide $100 million of capital grant funding to provide extra capacity in places of need, evenly distributed across 2019-20 and 2020-21.

Costing overview

This proposal would be expected to decrease the fiscal balance by $1,788 million and underlying cash balance by $1,796 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, this impact reflects an increase in administered expenses of $1,783 million and a relatively small increase in departmental expenses of $5 million over this period.

The underlying cash balance impact differs to the fiscal balance impact because of a timing difference between when child care subsidy expenses are recognised and when they are paid. This timing difference is a result of 5 per cent of child care subsidy entitlements in a financial year being withheld and paid in the following year. This allows child care subsidy entitlements to be reconciled for any differences in estimated and actual family income for the year.

The proposal would be expected to have an impact that extends beyond the 2019-20 Budget forward estimates period. Detailed financial implications over the period to 2029-30 are included at Attachment A.

The financial implications of this proposal are sensitive to several factors including the following.

- Assumed increases in preschool enrolment rates over time, which is expected to be driven by the proposed preschool funding for three-year-old children and by the amount of capital funding being contributed under the proposal.

- The Parliamentary Budget Office (PBO) has not undertaken any analysis to determine whether the additional capital funding, or any excess capacity within the existing preschool and child care systems, would be sufficient to allow for the additional enrolment rates.

- The estimated cost of providing preschool services to three-year-old children.
- Uncertainty associated with how the child care and preschool systems would interact under this proposal.
  - The estimated savings to the Commonwealth from lower child care subsidy funding due to the provision of preschool funding is uncertain because of the uncertainty about baseline interactions between the preschool and child care funding mechanisms.

The PBO notes that, in order to implement this proposal, the states and territories would be required to make considerable additional preschool funding commitments. The PBO has not undertaken an analysis of any broader industry related implications for either child care providers or the preschool system that may result from this proposal.

This proposal has been completed on a stand-alone basis. However, it is worth noting that this proposal's financial implications may be affected by interactions with two other Australian Labor Party early childhood education election commitments (*Labor's plan for cheaper child care* (PER305) and *Better pay for early childhood educators* (PER348)).

The magnitude of these interactions is difficult to quantify because it is unclear how these three proposals would interact in practice, particularly given the uncertainty regarding families' choices between attending child care or preschool. Other factors that would affect potential interactions include differing start dates for the proposals and the extent to which private sector child care centres and preschools based in government schools may seek to draw on the same workforce to meet increased demand. Given these uncertainties, no allowance for interactions has been incorporated.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-55	-218	-727	-788	**-1,788**
Underlying cash balance	-55	-222	-731	-788	**-1,796**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- Four-year-old preschool enrolment would remain unchanged over the medium term.
- The proportion of three-year-old children accessing preschool programs in long day care or formal early childhood education settings would rise from 60 per cent currently to around 90 per cent after the first three years of the proposal. This largely reflects the inclusion of three-year-old children who would have been cared for at home progressively enrolling in a preschool program. This transition period is shorter than when the preschool funding agreement was introduced, reflecting subsequent developments in the early childhood education sector.

- Families with three-year-old children who currently use more care than the proposed free preschool hours each fortnight would continue to use some child care services to cover the additional hours of required care.
- Capital funding could be used by states and territories to expand capacity in government preschools, noting that this capital funding would be subject to a competitive grants process.

Methodology

The financial implications for Component 1 were calculated by multiplying the estimated number of four-year-old children expected to attend preschool by the historical per-child cost of providing preschool, adjusted over time for changes in the consumer price index. An allowance was made to remove the ability of care providers/parents to claim full child care funding and full preschool funding in respect of the same care session, which has a relatively small impact on the costing.

- Because the current preschool funding agreement concludes at the end of the 2020 calendar year and has not been included in the budget baseline from that time, this costing includes the full cost of providing preschool to four-year-old children from 1 January 2021.

The financial implications for Component 2 were calculated by multiplying the number of three-year-old children who are expected to attend preschool programs by the estimated per-child cost of preschool, less the estimated savings in child care funding resulting from arrangements that ensure this funding would be calculated net of preschool funding.

A one-off departmental expense amount for the negotiation of the ongoing preschool funding under the proposed National Partnership Agreement was included.

Capital funding specified in the proposal was added to the financial implications. Departmental costs relating to the capital funding reflect the impact of an increase in expenses related to drafting program guidelines and assessing grant applications.

All estimates were rounded to the nearest $1 million.

Data sources

The Department of Education and Training provided 2016-17 child care administrative data.

The Department of Finance provided 2019-20 Budget indexation parameters.

Commonwealth of Australia, 2019. *2019-20 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2018. *2018-19 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2018. *2018-19 Mid-Year Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.

Council on Federal Financial Relations, 2017. *Universal Access to Early Childhood Education – 2016 and 2017.*

Productivity Commission (various), *Report on Government Services*, Canberra: Productivity Commission.

The Treasury, 2012. *Estimating net child care price elasticities of partnered women with pre-school children using a discrete structural labour supply-child care model.* [Online] Available at: https://treasury.gov.au/publication/estimating-net-child-care-price-elasticities-of-partnered-women-with-pre-school-children-using-a-discrete-structural-labour-supply-child-care-model.

Attachment A – National Preschool and Kindy Program – financial implications

Table A1: National Preschool and Kindy Program – Fiscal balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Expenses													
Administered													
Component 1													
Make preschool ongoing for four-year-olds for up to 15 hours per child per week	-	-136	-459	-487	-520	-553	-585	-612	-636	-659	-682	***-1,082***	***-5,328***
Consequential reduction in child care funding for four-year-olds	-	30	63	66	72	77	83	88	93	98	104	***159***	***773***
Component 2													
Provide ongoing preschool to three-year-olds for up to 15 hours per child per week	-	-99	-409	-449	-484	-512	-541	-569	-596	-624	-645	***-957***	***-4,929***
Consequential reduction in child care funding for three-year-olds	-	37	78	82	89	96	103	109	115	122	128	***197***	***959***
Capital													
Capital funding	-50	-50	-	-	-	-	-	-	-	-	-	***-100***	***-100***
Total – administered	**-50**	**-218**	**-727**	**-788**	**-843**	**-892**	**-940**	**-984**	**-1,024**	**-1,063**	**-1,095**	-1,783	-8,625
Departmental													
Extending universal access to preschool program	-2	-	-	-	-	-	-	-	-	-	-	***-2***	***-2***
Draft program guidelines and assess grant applications	-3	-	-	-	-	-	-	-	-	-	-	***-3***	***-3***
Total – departmental	**-5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-5	-5
Total – expenses	**-55**	**-218**	**-727**	**-788**	**-843**	**-892**	**-940**	**-984**	**-1,024**	**-1,063**	**-1,095**	**-1,788**	**-8,630**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Table A2: National Preschool and Kindy Program – Underlying cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Payments													
Administered													
Component 1													
Make preschool ongoing for four-year-olds for up to 15 hours per child per week	*-*	*-136*	*-459*	*-487*	*-520*	*-553*	*-585*	*-612*	*-636*	*-659*	*-682*	***-1,082***	***-5,328***
Consequential reduction in child care funding for four-year-olds	*-*	*28*	*61*	*66*	*72*	*77*	*82*	*88*	*93*	*98*	*103*	***155***	***768***
Component 2													
Provide ongoing preschool to three-year-olds for up to 15 hours per child per week	*-*	*-99*	*-409*	*-449*	*-484*	*-512*	*-541*	*-569*	*-596*	*-624*	*-645*	***-957***	***-4,929***
Consequential reduction in child care funding for three-year-olds	*-*	*35*	*76*	*82*	*89*	*96*	*102*	*109*	*115*	*121*	*128*	***193***	***953***
Capital													
Capital funding	*-50*	*-50*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	***-100***	***-100***
Total – administered	***-50***	***-222***	***-731***	***-788***	***-843***	***-892***	***-942***	***-984***	***-1,024***	***-1,064***	***-1,096***	***-1,791***	***-8,636***
Departmental													
Extending universal access to preschool program	*-2*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	***-2***	***-2***
Draft program guidelines and assess grant applications	*-3*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	***-3***	***-3***
Total – departmental	**-5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-5**	**-5**
Total – payments	**-55**	**-222**	**-731**	**-788**	**-843**	**-892**	**-942**	**-984**	**-1,024**	**-1,064**	**-1,096**	**-1,796**	**-8,641**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Swim Smart	
Party:	Australian Labor Party

Summary of proposal:

This proposal would introduce a new program: Swim and Survive in Schools – A National Water Safety Initiative.

The program would have the following characteristics:

- The swimming and water safety training would be based on the National Swimming and Water Safety Framework.
- The program would give access to instruction in swimming and water safety equivalent to level 4 of the National Swimming and Water Safety Framework.
- The program would be administered by state and territory education departments (not the Commonwealth).

The Commonwealth would provide all state and territory governments with $55 for each of their year 3 students. Funding would be indexed each year by the consumer price index.

This Commonwealth funding commitment would be matched by funding from state and territory governments.

The proposal would have effect from the start of 2020 school year.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $64.0 million over the 2019-20 Budget forward estimates period. This impact entirely reflects an increase in administered expenses.

The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

As the proposal would be administered by state and territory government education departments, Commonwealth departmental expenses are not expected to be significant and have not been included in the costing.

The financial implications are sensitive to the projected number of year 3 students, the assumption that all state and territory governments would provide matched funding, and the consumer price index projection.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-8.9	-17.8	-18.4	-18.9	**-64.0**
Underlying cash balance	-8.9	-17.8	-18.4	-18.9	**-64.0**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- The number of year 3 students would grow in line with the projected Australian population growth for year-3-aged children.
- All state and territory governments would provide matched funding.

Methodology

The impact of the proposal was calculated by multiplying the estimated number of year 3 students by the $55 per student (indexed annually by the consumer price index) provided by the Commonwealth.

Estimates have been rounded to the nearest $100,000.

Estimates of the number of year 3 students have been rounded to the nearest thousand.

Data sources

Australian Bureau of Statistics, *Schools, Australia*, ABS Cat. No. 4221.0, 3 March 2019.

The Treasury provided the Australian population by age (historical data and projections) as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Finance provided indexation parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

Parliamentary Budget Office

Policy costing

TAFE – 100,000 fee-free TAFE courses	
Party:	Australian Labor Party
Summary of proposal: This proposal would provide funding for 25,000 Tertiary and Further Education (TAFE) places each year over a period of four years to cover all upfront course fees currently faced by TAFE students. The 25,000 places would be spread evenly across Certificate II, Certificate III, Certificate IV, Diploma and Advanced Diploma courses. This proposal would have effect from 1 January 2020 and would terminate on 31 December 2023.	

Costing overview

This proposal would effectively replace vocational education and training (VET) student loans with grants for some students and provide direct assistance to other students.

The proposal would be expected to decrease the fiscal balance by $343 million, the underlying cash balance by $324 million, and the headline cash balance by $209 million over the 2019-20 Budget forward estimates period.

Consistent with Parliamentary Budget Office (PBO) Guidance 02/2015, as the proposal involves changes in the value of financial assets, the public debt interest (PDI) impact of the proposal has been included in the estimates.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at <u>Attachment A</u>. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period, primarily due to the decrease in VET student loans (which would result in a decrease in repayments of loans and interest paid on loans).

The fiscal, underlying cash and headline cash balance impacts differ due to how they treat the concessional interest rate, and the flow of loan principal and interest repayment amounts. Only the fiscal balance includes an estimate of the change in the value of the concession being provided. Only the headline cash balance includes changes in the value of loans issued and principal repayments. A note explaining the accounting treatment of income contingent loans, such as those provided under the Higher Education Loan Program (HELP) and the VET Student Loans program, is included at <u>Attachment B</u>.

Departmental expenditure estimates for the Department of Education and Training to administer the proposal have been included in the costing. These estimates have been based on similar-sized programs.

The estimates of the financial implications in this costing are highly sensitive to assumptions regarding the out-of-pocket costs paid by students, and a number of other factors, including behavioural responses by students and educational providers. Out-of-pocket costs paid by students for similar courses differ significantly between states and territories, and there is limited data available on a national basis. Similarly, the estimates in this costing are highly sensitive to the assumptions made about the students, and the distribution of courses studied, that would be affected by this proposal. Inherent uncertainties in the baseline estimates for the VET Student Loans program, and limited information regarding loan repayment profiles add to the uncertainty of the estimated financial implications of this proposal.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-79	-86	-88	-91	**-343**
Underlying cash balance	-77	-80	-82	-84	**-324**
Headline cash balance	-61	-47	-49	-51	**-209**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The PBO has made the following assumptions in costing the proposal.

- Any enabling legislation would be passed before the commencement of the proposal.
- There would be no increase in TAFE student numbers as a result of the proposal.
- Neither the subsidies paid nor the course costs for any TAFE course would be altered as a result of this proposal, and students would not transfer from one course to another based on the change in out-of-pocket costs under this proposal.
  - The proposal makes tuition free for 25,000 TAFE students, which is a relatively small proportion of the total VET student pool.
- 50 per cent of students affected by this proposal and eligible for VET student loans would have otherwise accessed the VET Student Loans program to pay their upfront student fees in the form of a deferred, income-contingent loan.
  - The value of the VET student loans that would no longer be required is based on the average value of VET student loans at TAFE institutions, estimated from historical data provided by the Department of Education and Training.
  - The value of out-of-pocket costs for all other students across Australia for the 2019 calendar year is equal to those published by the New South Wales Department of Industry (program level data are not available on a national basis regarding out-of-pocket costs paid by students). These costs, after subsidies provided by the New South Wales Government, are taken into account. Costs are indexed annually by the higher education grants index.
  - Average student out-of-pocket costs are higher for students who, in the baseline scenario, would have taken out a VET student loan, than for students without a VET student loan.
- All grants to cover students' out-of-pocket costs would be paid at the beginning of the academic year.

Methodology

The financial implications of this proposal are the net effect of the implications of removing VET student loans and providing grants.

The implications of removing VET student loans for students affected by the proposal and assumed to have taken out a VET student loan under the baseline were calculated using the Department of Education and Training's HELP forward estimates model with the average assumed VET student loan for TAFE students.

- Applying the assumptions described above, 5,000 places would be affected. This is 50 per cent of the 10,000 places at Diploma and Advanced Diploma level each year under the proposal because VET student loans are only available for eligible courses at Diploma or Advanced Diploma level at eligible institutions.

The value of grants provided to the states and territories was calculated by multiplying the average course fee paid by students, by program level, for a secondary or further qualification multiplied by the total number of affected students.

All estimates have been rounded to the nearest $1 million.

Data sources

The Department of Education and Training provided the 2019-20 Budget HELP forward estimates model.

The Department of Finance provided indexation and efficiency dividend parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

Commonwealth of Australia, 2019. *2019-20 Budget*, Canberra: Commonwealth of Australia.

Department of Education and Training, 2019. *VET Student Loans Six-monthly Report – 1 July 2018 to 31 December 2018 – Table 1 to Table 6 addendum.* [Online] Available at: https://docs.education.gov.au/node/52436 [Accessed 27.03.2019].

National Centre for Vocational Education Research, 2018. *Total VET students and courses 2017: data slicer*. [Online] Available at: https://www.ncver.edu.au/research-and-statistics/data/all-data/total-vet-students-and-courses-2017-data-slicer [Accessed 12.03.2019].

New South Wales Department of Industry, 2019. *Smart and Skilled Prices and Fees – v8.5.* [Online] Available at: https://www.training.nsw.gov.au/forms_documents/smartandskilled/prices_fees/prices_fees_v8.5.pdf [Accessed 15.03.2019].

Attachment A – TAFE – 100,000 fee-free TAFE courses – financial implications

Table A1: TAFE – 100,000 fee-free TAFE courses – Fiscal balance ($m)(a)(b)

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Revenue					
Income from unwinding concessional loan discount	-	-	..	..	**..**
Interest accrued on loans	-	..	-1	-2	**-3**
Loan fee revenue	-3	-7	-7	-7	**-23**
Total – revenue	**-3**	**-7**	**-8**	**-9**	**-26**
Expenses					
Administered					
Replace TAFE student fees with grants	-75	-77	-78	-80	***-310***
Concessional loan discount	1	2	2	2	***6***
Loan write downs	-	..	..	..	**..**
Total – administered	***-74***	***-75***	***-76***	***-78***	***-304***
Departmental					
Department of Education and Training	-1	-2	-2	-1	***-5***
Total – departmental	***-1***	***-2***	***-2***	***-1***	***-5***
Total – expenses	**-75**	**-77**	**-78**	**-79**	**-309**
Total (excluding PDI)	**-78**	**-84**	**-86**	**-88**	**-335**
PDI impacts	**-1**	**-2**	**-2**	**-3**	**-8**
Total (including PDI)	**-79**	**-86**	**-88**	**-91**	**-343**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Table A2: TAFE – 100,000 fee-free TAFE courses – Underlying cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Receipts					
Interest received on loans	-	..	..	..	***-1***
Total – receipts	**-**	**..**	**..**	**..**	**-1**
Payments					
Administered					
Replace TAFE student fees with grants	*-75*	*-77*	*-78*	*-80*	***-310***
Total – administered	***-75***	***-77***	***-78***	***-80***	***-310***
Departmental					
Department of Education and Training	*-1*	*-2*	*-2*	*-1*	***-5***
Total – departmental	***-1***	***-2***	***-2***	***-1***	***-5***
Total – payments	**-76**	**-79**	**-80**	**-81**	**-315**
Total (excluding PDI)	**-76**	**-79**	**-80**	**-81**	**-316**
PDI impacts	**-1**	**-1**	**-2**	**-3**	**-8**
Total (including PDI)	**-77**	**-80**	**-82**	**-84**	**-324**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Table A3: TAFE – 100,000 fee-free TAFE courses – Headline cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Receipts					
Interest received on loans	-	..	..	..	***-1***
Principal repayments	-	..	*-1*	*-1*	***-2***
Total – receipts	**-**	**..**	**-1**	**-1**	**-3**
Payments					
Administered					
Replace TAFE student fees with grants	*-75*	*-77*	*-78*	*-80*	***-310***
Loans issued	*16*	*33*	*34*	*34*	***117***
Total – administered	***-59***	***-44***	***-44***	***-46***	***-193***
Departmental					
Department of Education and Training	*-1*	*-2*	*-2*	*-1*	***-5***
Total – departmental	***-1***	***-2***	***-2***	***-1***	***-5***
Total – payments	**-60**	**-46**	**-46**	**-47**	**-198**
Total (excluding PDI)	**-60**	**-46**	**-47**	**-48**	**-201**
PDI impacts	**-1**	**-1**	**-2**	**-3**	**-8**
Total (including PDI)	**-61**	**-47**	**-49**	**-51**	**-209**

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Attachment B – Accounting treatment of concessional loans

A concessional loan is a loan provided on more favourable terms than the borrower could obtain in the financial market. The most common concession is a below-market interest rate, but concessions can also include favourable repayment conditions. The income contingent loans available through the Higher Education Loan Program are an example of concessional loans offered by the Commonwealth.

Budget impact[1]

The accounting treatment of concessional loans differs across each budget aggregate. The underlying cash balance only captures actual flows of interest related to the loans. The headline cash balance captures actual flows of principal as well as interest. The fiscal balance captures accrued interest, the value of the concession and any write-offs related to the loans. The interest cost of financing these loans is captured in all budget aggregates, and is separately identified by the PBO.[2] (Table B1 provides information about the detail provided in a costing.) The provision of concessional loans decreases the Commonwealth Government's net worth if the liabilities issued (the value of Commonwealth Government Securities (CGS) issued to finance the loans) are greater than the assets created (measured at their 'fair value' or price at which the loans could be sold).

Treatment of debt not expected to be repaid

All budget aggregates take into account estimates of the share of loans not expected to be repaid when calculating interest flows and estimating the value of the concession that is being provided. None of the measures capture the direct impact on net worth of the loans not expected to be repaid. If a portion of loans are not expected to be repaid, estimates of the 'fair value' of the loans outstanding will be reduced. Such reductions, both when loans are issued and if loans are subsequently re-valued, are recorded in the budget under 'Other economic flows' which are reflected in net worth but not in the budget aggregates.

Table B1: Components of concessional loan financial impacts in costing proposals

Budget item	Appears in	Comments
Interest accrued or received	All budget aggregates	Captures the interest accrued or expected to be received on the fair value of the debt. (The budget cannot include interest income on a debt that is not expected to be repaid.)
Concessional loan discount expense and unwinding revenue	Fiscal balance	The net present value of the concession (based on the difference between the market and concessional interest rates) is captured as an expense in the fiscal balance. As loans are repaid, the remaining value of the concession reduces, so this expense is 'unwound' with a positive impact on the fiscal balance. The concessional discount and its unwinding are not recognised in cash balances as there is no cash inflow or outflow.
Write-offs	Fiscal balance	Debt forgiveness, also known as mutually agreed write-downs (for example in the case of the death of the borrower of a HELP loan) are expensed when they occur, reducing the fiscal balance. These transactions do not affect the cash balances as no cash flows occur.
Initial loan; principal repayments	Headline cash balance	Higher estimates of loans not expected to be repaid lowers principal repayments. These transactions are not included in the fiscal balance or underlying cash balance as they involve the exchange of one financial asset (loan) for another (cash).
Public debt interest (PDI)	All budget aggregates	The PDI impact is the cost of the change in the government's borrowing requirements to fund the loans. The net headline cash balance impact excluding PDI is used to estimate the proposal's impact on PDI payments.

[1] The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.
[2] This is in accordance with PBO Guidance 02/2015 and the Charter of Budget Honesty Policy Costing Guidelines which specify that costings of proposals that 'involve transactions of financial assets' need to take into account the impact on PDI payments.

Parliamentary
Budget Office

Policy costing

TAFE – pre-apprentices	
Party:	Australian Labor Party
Summary of proposal: The proposal would provide funding for 10,000 new Apprentice Ready places over three calendar years. The proposal would provide: • $4,000 per place (unindexed) to the providers of a 20-week, industry-endorsed pre-apprenticeship course for trades on the National Skills Needs List. Delivered through local technical and further education providers, Apprentice Ready would be targeted to young Australians who have been unemployed for six months or more • an additional incentive payment of $1,000 (unindexed) to employers who hire Apprentice Ready apprentices. Any departmental expenses for program administration would be included within the capped $4,000 per place. The proposal would have effect from 1 January 2020 and terminate on 31 December 2022.	

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $50.0 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of $48.0 million and an increase in departmental expenses of $2.0 million.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would not be expected to have an impact beyond the 2019-20 Budget forward estimates period.

The financial implications of this proposal are sensitive to the assumed take-up rate of Apprentice Ready places, the number of employers who hire Apprentice Ready apprentices, and the assumption that aggregate employment and demand for Commonwealth-subsidised training are unchanged as a result of the proposal.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-8.3	-16.7	-16.7	-8.3	**-50.0**
Underlying cash balance	-8.3	-16.7	-16.7	-8.3	**-50.0**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- Apprentice Ready places would be fully subscribed and apprentices would meet all of the requirements to complete the program.
- All Apprentice Ready participants would obtain employment through the program.
- The program would not result in an increase in aggregate employment or demand for Commonwealth-subsidised vocational and technical education.

Methodology

The administered expenses were estimated by multiplying the number of Apprentice Ready places to be provided in each financial year by the specified capped funding.

Departmental expenses were based on the cost of administering similar programs.

Attachment A – TAFE – pre-apprentices – financial implications

Table A1: TAFE – pre-apprentices – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Administered expenses	*-8.0*	*-16.0*	*-16.0*	*-8.0*	***-48.0***
Departmental expenses	*-0.3*	*-0.7*	*-0.7*	*-0.3*	***-2.0***
Total	**-8.3**	**-16.7**	**-16.7**	**-8.3**	**-50.0**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary Budget Office

Policy costing

Teaching bursaries	
Party:	Australian Labor Party

Summary of proposal:

This proposal would establish a bursary program to encourage high-performing students to enter initial teacher education. Under the program 500 bursaries would be provided in 2020, 1,000 bursaries in each year from 2021 to 2030. Each bursary would be valued at $10,000 a year.

- Bursaries would be available to students with high academic performance in Year 12 who are entering initial teacher education, or to those entering postgraduate teaching qualifications in areas of high demand (primarily maths and science).
- 10 per cent of bursaries would be for those entering postgraduate teaching qualifications in areas of high demand (primarily maths and science).

Bursaries will be fully payable to recipients on the census date of 31 March each year.

Bursary payments would be non-taxable income for income tax purposes and would not be included as part of the student payment income test.

The proposal would have effect from 1 January 2020.

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $35 million over the 2019-20 Budget forward estimates period. This impact entirely reflects an increase in administered expenses over this period.

The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

The proposal would not be expected to require additional departmental expenses as it relates to an existing function of the Department of Education and Training. The financial implications of this proposal are sensitive to the assumption that all bursaries would be allocated.

Table 1: Financial implications ($m)[(a)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-5	-10	-10	-10	**-35**
Underlying cash balance	-5	-10	-10	-10	**-35**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

Key assumptions

The Parliamentary Budget Office has assumed that all bursaries would be paid out each year.

Methodology

The financial implications were calculated by multiplying the number of bursary places by the value of each bursary, as specified in the proposal.

All estimates have been rounded to the nearest $1 million.

Parliamentary Budget Office

Policy costing

Doubling Indigenous rangers	
Party:	Australian Labor Party
Summary of proposal: The proposal would gradually increase the number of full-time-equivalent Indigenous rangers through the Indigenous Rangers Program (formerly the Working on Country Program) to double the current number by 2023-24, and maintain this number going forward. The expenditure profile for doubling Indigenous rangers would limit additional expenditure over the period to 2021-22 to $95 million. The proposal would have effect from 1 July 2019.	

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $170.3 million over the 2019-20 Budget forward estimates period. This impact is entirely due to an increase in administered expenses.

The costing does not include additional departmental expenses as the proposal is an expansion of an existing program where the bulk of the administrative costs fall on grant recipients.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is provided at Attachment A. This proposal is expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period. Once the number of full-time-equivalent Indigenous rangers doubles by 2023-24, growth in expenses would reflect increases in the wage cost index.

The financial implications are sensitive to the assumed take-up of the additional positions.

Table 1: Financial implications ($m)[(a)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-9.0	-27.4	-58.5	-75.4	**-170.3**
Underlying cash balance	-9.0	-27.4	-58.5	-75.4	**-170.3**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- The baseline full-time-equivalent number of Indigenous rangers would remain constant at their current level of 852 rangers until 2029-30.
- There would be full take-up of the additional positions.

Methodology

The financial implications of the proposal were calculated by subtracting the costs of maintaining the current level of Indigenous rangers from the costs of doubling the number of Indigenous rangers.

The financial implications of doubling the number of Indigenous rangers were calculated by determining an up-take profile for the additional full-time-equivalent Indigenous ranger positions which met the specified financial constraints over the first three years of the 2019-20 Budget forward estimates period.

- The annual cost of the proposal was determined by multiplying the number of new full-time-equivalent Indigenous rangers by the average base funding cost per full-time-equivalent Indigenous ranger, adjusted for the appropriate wage cost indexation parameter.
- The average cost per full-time-equivalent Indigenous ranger was derived by dividing the Indigenous Rangers Program baseline annual expenditure by the current number of full-time-equivalent Indigenous rangers contracted in each year.

All estimates are rounded to the nearest $100,000.

Data sources

The Department of the Prime Minister and Cabinet provided data on the Indigenous Rangers Program over the 2019-20 Budget forward estimates on 12 April 2019.

The Department of Finance provided the wage cost index as at the 2019 Pre-election Economic and Fiscal Outlook.

Attachment A – Doubling Indigenous Rangers – financial implications

Table A1: Doubling Indigenous Rangers – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Total – expenses	-9.0	-27.4	-58.5	-75.4	**-170.3**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary Budget Office

Policy costing

Stolen Generations compensation	
Party:	Australian Labor Party

Summary of proposal:

This proposal has three components to provide redress for members of the Stolen Generations.

- Component 1: Establish a Stolen Generations healing fund of $10 million in administered funding, spread evenly over four years.
- Component 2: Establish a compensation scheme for living Stolen Generations survivors in the Northern Territory and Jervis Bay to provide a one-off payment of $75,000 per eligible recipient. Eligible recipients would be able to claim their payment at any time over the period 1 July 2020 to 30 June 2024.
- Component 3: Provide ongoing funeral assistance funding for Stolen Generations survivors in the Northern Territory and Jervis Bay. Eligible parties would be entitled to claim a one-off payment of $7,000 following the death of a member of the Stolen Generations.

The proposal would have effect from 1 July 2020.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $110.8 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of $106.6 million and an increase in departmental expenses of $4.2 million over this period. A breakdown of the financial implications over this period is at Attachment A.

The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

- The proposal would cost $28.3 million in 2023-24. From 2024-25 Components 1 and 2 terminate, leaving only Component 3 with an ongoing impact of less than $0.1 million per year which declines in line with the assumed Stolen Generations mortality rate.

The financial implications of this proposal are sensitive to changes in assumptions regarding the number of eligible Stolen Generations survivors in the Northern Territory and Jervis Bay, the number of eligible claims made over the period of analysis, and the timing of payments.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	-41.2	-40.9	-28.6	**-110.8**
Underlying cash balance	-	-41.2	-40.9	-28.6	**-110.8**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- The number of Stolen Generations survivors as a proportion of the entire population of New South Wales is an appropriate proxy for determining the number of Stolen Generations survivors in Jervis Bay.
- All eligible Stolen Generations survivors would claim a compensation payment from 2020-21 to 2023-24, with the majority of claims coming in the first two years.
- Relevant parties would access funeral assistance at each instance of the death of a member of the Stolen Generations.
- The compensation and funeral assistance payments would be non-taxable.

Methodology

Administered expenses for Component 1 are based on the $10 million capped amount, distributed evenly over four years to 2023-24.

Administered expenses for Component 2 were calculated by multiplying the estimated number of eligible Stolen Generations survivors by the specified one-off payment amount per survivor with claims assumed to occur over the period 2020-21 to 2023-24.

Administered expenses for Component 3 were calculated by multiplying the estimated number of Stolen Generations survivors' deaths by the specified one-off payment amount over the period from 2020-21 to 2029-30.

The number and mortality rate of Stolen Generations survivors in the Northern Territory were derived from estimates published in the Australian Institute of Health and Welfare report *Aboriginal and Torres Strait Islander Stolen Generations and descendants: numbers, demographic characteristics and selected outcomes*.

Departmental expenses were informed by a similar compensation scheme and their payment profile, scaled by the value of administered expenses.

Estimates have been rounded to the nearest $100,000.

Data sources

Australian Bureau of Statistics, 2016. *DataPacks & GeoPackages*, Canberra: ABS. [Online] Available at: http://www.abs.gov.au/websitedbs/d3310114.nsf/home/2016%20datapacks [Accessed 21.04.2019].

Australian Bureau of Statistics, *ERP by SA2 and above (ASGS 2016), 2001 onwards*, Canberra: ABS. [Online] Available at: http://stat.data.abs.gov.au/Index.aspx?DataSetCode=ABS_ANNUAL_ERP_ASGS2016 [Accessed 21.04.2019].

Australian Bureau of Statistics, *No. 3302.0 Deaths, Australia*, Canberra: ABS. [Online] Available at: http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/3303.0Main+Features12017?OpenDocument [Accessed 21.04.2019].

NSW Government, 2016. *Unfinished Business: NSW Government Response to the General Purpose Standing Committee 3 Report into Reparations for the Stolen Generations*, Sydney: NSW Government.

Australian Institute of Health and Welfare, 2018*. Aboriginal and Torres Strait Islander Stolen Generations and descendants: numbers, demographic characteristics and selected outcomes*, Canberra: AIHW.

Commonwealth of Australia, 2015. *Redress and Civil Litigation Report: Royal Commission into Institutional Responses to Child Sexual Abuse*, Canberra: Commonwealth of Australia.

Attachment A – Stolen Generations compensation – financial implications

Table A1: Stolen Generations compensation – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Expenses					
Administered					
Component 1 – Stolen Generations healing fund	-	*-2.5*	*-2.5*	*-2.5*	***-7.5***
Component 2 – Stolen Generations compensation scheme	-	*-36.8*	*-36.8*	*-25.2*	***-98.8***
Component 3 – Stolen Generations funeral assistance fund	-	*-0.1*	*-0.1*	*-0.1*	***-0.3***
Total – administered	**-**	***-39.4***	***-39.4***	***-27.8***	***-106.6***
Departmental					
Component 1 – Stolen Generations healing fund	-	*-0.1*	*-0.1*	*-0.1*	***-0.4***
Component 2 – Stolen Generations compensation scheme	-	*-1.7*	*-1.4*	*-0.7*	***-3.8***
Component 3 – Stolen Generations funeral assistance fund	-	..	..	..	**..**
Total – departmental	**-**	***-1.8***	***-1.5***	***-0.8***	***-4.2***
Total – expenses	**-**	**-41.2**	**-40.9**	**-28.6**	**-110.8**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Abolish the Infrastructure Financing Unit and reallocate funding to Infrastructure Australia	
Party:	Australian Labor Party
Summary of proposal: The proposal would abolish the Infrastructure and Project Financing Agency from 1 July 2019 and reallocate the funding to Infrastructure Australia.	

Costing overview

This proposal would be expected to have no impact on the fiscal and underlying cash balances over 2019-20 Budget forward estimates period.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would not be expected to have an impact beyond the 2019-20 Budget forward estimates period.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	-	-	-	**-**
Underlying cash balance	-	-	-	-	**-**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Methodology

The estimated financial implications are based on the current funding profile for the Infrastructure and Project Financing Agency over the 2019-20 Budget forward estimates period, taking into account the net effect of indexation parameters and the efficiency dividend.

Data sources

Commonwealth of Australia, 2019. *Budget 2019-2020*, Canberra: Commonwealth of Australia.

The Department of Finance provided the wage cost index and efficiency dividend data as at the 2019 Pre-election Economic and Fiscal Outlook.

Attachment A – Abolish the Infrastructure Financing Unit and reallocate funding to Infrastructure Australia – financial implications

Table A1: Abolish the Infrastructure Financing Unit and reallocate funding to Infrastructure Australia – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Expenses					
Departmental					
Abolish the Infrastructure and Project Financing Agency	*4.4*	*5.8*	*5.9*	*4.3*	***20.4***
Reallocate funding to Infrastructure Australia	*-4.4*	*-5.8*	*-5.9*	*-4.3*	***-20.4***
Total – expenses	-	-	-	-	-

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Major state and territory infrastructure projects	
Party:	Australian Labor Party

Summary of proposal:

The proposal would provide capped grant funding over the period 2019-20 to 2029-30 for major state and territory infrastructure projects, as outlined in the Australian Labor Party policy document *Nation-building Infrastructure*, with the following profile.

Financial year	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Spending ($m)	1,275	1,487	1,656	2,346	2,966	2,623	2,109	1,006	747	503	58

The proposal would also provide a $71 million equity injection for the Western Sydney Airport fuel pipeline.

This capped grant and equity funding would be partially offset by reprioritisations within infrastructure spending over the same period, with the following profile.

Financial year	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Saving ($m)	342	309	465	1,392	1,269	1,669	1,484	1,022	998	620	500

This offset is comprised of:

- uncommitted funds from the Roads of Strategic Importance and the Urban Congestion Fund programs
- not proceeding with commitments made by the Commonwealth Government between the 2019-20 Budget and the 2019 Pre-election Economic and Fiscal Outlook (PEFO) from the Roads of Strategic Importance and Urban Congestion Fund programs, except where these are outlined in the Australian Labor Party policy document *Nation-building Infrastructure*
- other reprioritisations and re-profiling within existing infrastructure spending.

The proposal would have effect from 1 July 2019.

Costing overview

The proposal would be expected to decrease the fiscal, underlying cash and headline cash balances by $4,255 million over the 2019-20 Budget forward estimates period.

Departmental expenses to administer this funding are not expected to be material as the proposal does not involve a significant change in the complexity of administering infrastructure projects.

The proposal would be expected to have an impact beyond the 2019-20 Budget forward estimates period. A breakdown of the financial implications of this proposal over the period to 2029-30 is provided at Attachment A.

The financial implications of this proposal are sensitive to the availability of uncommitted funds from the Roads of Strategic Importance and Urban Congestion Fund programs at the 2019-20 Budget and 2019 PEFO, and the availability of funds from reprioritisations.

The proposed equity injection of $71 million for the Western Sydney Airport fuel pipeline would be a transaction in financial assets, which would generally result in the PBO including the public debt interest (PDI) expense impacts of the proposal. Given the small relative magnitude of this financial asset transaction component, the PDI expense impact of this proposal has been captured in the aggregate financial impacts of the Australian Labor Party's election commitments. The impact of the injection appears on the headline cash balance after the 2019-20 Budget forward estimates period.

The PBO has not assessed whether the specified level of infrastructure spending would be sufficient to deliver the projects as proposed in the policy document *Nation-building Infrastructure.*

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-933	-1,178	-1,191	-953	**-4,255**
Underlying cash balance	-933	-1,178	-1,191	-953	**-4,255**
Headline cash balance	-933	-1,178	-1,191	-953	**-4,255**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- Commitments made between the 2019-20 Budget and the 2019 PEFO from the Roads of Strategic Importance and Urban Congestion Fund programs would be equal to uncommitted funds at 17 April 2019 minus uncommitted funds at the 2019-20 Budget.
  - Aside from these commitments, no additional funds would be committed from the Roads of Strategic Importance or Urban Congestion Fund programs over the period from 17 April 2019 to the proposal's start date of 1 July 2019.
  - For each of these programs, annual uncommitted funds over the period 2023-24 to 2029-30 at PEFO are based on information provided by the Department of Infrastructure, Regional Development and Cities to the 2019-20 Budget Estimates hearings, adjusted for the decrease in uncommitted funds between the Budget Estimates and the PEFO based on figures from the Department provided on 17 April 2019.
    - In the Budget Estimates information, all uncommitted funds beyond the 2019-20 Budget forward estimates period but not allocated to the period 2023-24 to 2028-29 would be allocated to 2029-30.

- The equity injection for the Western Sydney Airport fuel pipeline would be made in 2023-24 and associated dividend payments would commence after 10 years.

Methodology

The financial implications of this proposal were calculated as the specified capped amounts of expenditure minus the specified offsets.

The Department of Infrastructure, Regional Development and Cities tabled information on uncommitted funds to the 2019-20 Budget Estimates hearings and provided the Parliamentary Budget Office (PBO) with updated uncommitted funds for the Roads of Strategic Importance and Urban Congestion Fund programs on 17 April 2019. The updated information comprised annual estimates of uncommitted funds over the 2019-20 Budget forward estimates period and aggregated uncommitted funds for the period 2023-24 to 2028-29.

Uncommitted and reprioritised funds in the Roads of Strategic Importance and the Urban Congestion Fund programs were estimated from the data provided by the Department of Infrastructure, Regional Development and Cities using the assumptions outlined above, adjusting for commitments from these programs made between the 2019-20 Budget and the 2019 PEFO which were also outlined in the Australian Labor Party policy document *Nation-building Infrastructure*.

The uncommitted funds from major reprioritisations are consistent with information provided by the Department of Infrastructure, Regional Development and Cities.

Estimates have been rounded to the nearest $1 million.

Data sources

Australian Labor Party, 2019. *Nation-building infrastructure.* [Online] Available at: https://www.alp.org.au/media/1902/nation_building_infrastructure.pdf [Accessed 06.06.2019].

The Department of Infrastructure, Regional Development and Cities provided the funding profile of the infrastructure investment program on 17 April 2019.

Department of Infrastructure, Regional Development and Cities, 2019. *Infrastructure investment program.* [Online] Available at: https://investment.infrastructure.gov.au/ [Accessed 06.06.2019].

Department of Infrastructure, Regional Development and Cities, 2019. *Infrastructure investment funding table*. [Online] Available at: https://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/rrat/2019-20_Budget_estimates/Infrastructure_Regional_Development_and_Cities [Accessed 06.06.2019].

Attachment A – Major state and territory infrastructure projects – financial implications

Table A1: Major state and territory infrastructure projects – Fiscal and underlying cash balances ($m)[(a)(b)(c)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Expenses													
Infrastructure projects – grant funding	*-1,275*	*-1,487*	*-1,656*	*-2,346*	*-2,966*	*-2,623*	*-2,109*	*-1,006*	*-747*	*-503*	*-58*	***-6,763***	***-16,775***
Uncommitted funding and reprioritisations from Roads of National Significance program	*-*	*46*	*50*	*38*	*37*	*5*	*73*	*40*	*50*	*50*	*50*	***135***	***440***
Uncommitted funding and reprioritisations from Urban Congestion Fund program	*386*	*260*	*238*	*295*	*100*	*185*	*200*	*200*	*200*	*200*	*200*	***1,178***	***2,463***
Other infrastructure project reprioritisations and re-profiling	*-44*	*3*	*177*	*1,059*	*1,132*	*1,479*	*1,211*	*782*	*748*	*370*	*250*	***1,195***	***7,167***
Total	**-933**	**-1,178**	**-1,191**	**-953**	**-1,697**	**-954**	**-625**	**16**	**251**	**117**	**442**	**-4,255**	**-6,705**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

(c) Given the small magnitude of the financial asset transaction component of this proposal, the PDI expense impact of the proposal has been captured in the aggregate financial impacts of the Australian Labor Party's election commitments.

\- Indicates nil.

Table A2: Major state and territory infrastructure projects – Headline cash balance ($m)[(a)(b)(c)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Expenses													
Infrastructure projects – grant funding	*-1,275*	*-1,487*	*-1,656*	*-2,346*	*-2,966*	*-2,623*	*-2,109*	*-1,006*	*-747*	*-503*	*-58*	***-6,763***	***-16,775***
Equity injection – Western Sydney Airport Corporation	-	-	-	-	*-71*	-	-	-	-	-	-	**-**	***-71***
Uncommitted funding and reprioritisations from Roads of National Significance program	-	*46*	*50*	*38*	*37*	*5*	*73*	*40*	*50*	*50*	*50*	***135***	***440***
Uncommitted funding and reprioritisations from Urban Congestion Fund program	*386*	*260*	*238*	*295*	*100*	*185*	*200*	*200*	*200*	*200*	*200*	***1,178***	***2,463***
Other infrastructure project reprioritisations and re-profiling	*-44*	*3*	*177*	*1,059*	*1,132*	*1,479*	*1,211*	*782*	*748*	*370*	*250*	***1,195***	***7,167***
Total	**-933**	**-1,178**	**-1,191**	**-953**	**-1,768**	**-954**	**-625**	**16**	**251**	**117**	**442**	**-4,255**	**-6,776**

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

(b) Figures may not sum to totals due to rounding.

(c) Given the small magnitude of the financial asset transaction component of this proposal the PDI expense impact of the proposal has been captured in the aggregate financial impacts of the Australian Labor Party's election commitments.

\- Indicates nil.

Parliamentary
Budget Office

Policy costing

Abolition of the Australian Building and Construction Commission (ABCC) and the Registered Organisations Commission (ROC)	
Party:	Australian Labor Party
Summary of proposal: The proposal would abolish the Australian Building and Construction Commission and Registered Organisations Commission on 1 July 2019, returning the funds to the Commonwealth Government budget.	

Costing overview

This proposal would be expected to increase the fiscal and underlying cash balances by $151.4 million over the 2019-20 Budget forward estimates period. This entirely reflects a decrease in departmental expenses.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

The first year's financial implications are sensitive to the assumed number and average amount of redundancy payments.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	30.9	39.6	40.2	40.6	**151.4**
Underlying cash balance	30.9	39.6	40.2	40.6	**151.4**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

In costing this proposal, the Parliamentary Budget Office has made the following assumptions.

- Given that the Registered Organisations Commission sits within the Office of the Fair Work Ombudsman, the staff profile of the Registered Organisations Commission would be proportional to that of the Office of the Fair Work Ombudsman.

- The staff profile of the Australian Building and Construction Commission and the Registered Organisations Commission in 2019-20 would be the same as their staff profiles in 2017-18.
- Half of the Registered Organisation Commission's staff would be absorbed by the Office of the Fair Work Ombudsman as they have similar functions and share corporate services.
- The natural attrition rate of staff at both agencies is five per cent per annum.

Methodology

The estimated savings from abolishing the Australian Building and Construction Commission and the Registered Organisations Commission were based on the current funding profile for each agency over the 2019-20 Budget forward estimates period.

Staff redundancy payment costs were also subtracted from the savings for 2019-20 and were estimated using:

- information on the average service length of Australian Public Service staff published by the Australian Public Service Commission
- the staffing profile of the Australian Building and Construction Commission from its Annual Report
- the staffing profile of the Office of the Fair Work Ombudsman and the total number of staff of the Registered Organisations Commission
- assumed attrition rates.

All estimates have been rounded to the nearest $100,000.

Data sources

Australian Building and Construction Commission, 2018, *Australian Building and Construction Commission Annual Report 2017-18* [Online] Available at: https://www.abcc.gov.au/about/plans-and-reports/annual-reports/abcc-annual-report-2017-18 [Accessed 16.04.2019].

Australian Building and Construction Commission, *Australian Building and Construction Commission Enterprise Agreement 2017-2020* [Online] Available at: https://www.abcc.gov.au/sites/default/files/enterprise_agreement_0.pdf [Accessed 16.04.2019].

Australian Public Service Commission, 2017. *APS Statistical Bulletin 2016-17* [Online] Available at: https://www.apsc.gov.au/mobility-and-tenure [Accessed 16.04.2019].

Fair Work Ombudsman, *Enterprise Agreement 2016 – 2019,* [Online] Available at: https://www.fairwork.gov.au/ArticleDocuments/725/fwo-enterprise-agreement-2016-2019.pdf.aspx [Accessed 16.04.2019].

Roy Morgan, *Aussies have how much annual leave accrued?!* [Online] Available at: http://www.roymorgan.com/findings/6266-aussies-have-how-much-annual-leave-accrued-201506020117 [Accessed 19.04.2019].

The Department of Jobs and Small Business, *2019-20 Portfolio Budget Statement* [Online] Available at: https://docs.jobs.gov.au/documents/portfolio-budget-statements-2019-20 [Accessed 16.04.2019].

Attachment A – Abolition of the Australian Building and Construction Commission (ABCC) and the Registered Organisations Commission (ROC) – financial implications

Table A1: Abolition of the Australian Building and Construction Commission (ABCC) and the Registered Organisations Commission (ROC) – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Departmental expenses					
Abolish the Australian Building and Construction Commission	*25.8*	*33.9*	*34.7*	*35.2*	***129.6***
Abolish the Registered Organisations Commission	*5.1*	*5.7*	*5.5*	*5.4*	***21.8***
Total – expenses	**30.9**	**39.6**	**40.2**	**40.6**	**151.4**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary Budget Office

Policy costing

Advanced Manufacturing Future Fund	
Party:	Australian Labor Party

Summary of proposal:

This proposal would establish a public investment corporation-the Manufacturing Finance Corporation-that would have a mandate to facilitate private sector investment in commercial advanced manufacturing technologies. The Manufacturing Finance Corporation would have the following features.

- It would be structured in the same way as the existing Clean Energy Finance Corporation in terms of the Commonwealth's balance sheet, and would provide a similar range of investment, financing and concessional loan options. It would be within the general government sector.
- It would begin operating from 1 July 2020 and would be provided with operating capital in five separate special appropriations of $200 million a year, drawing down on these amounts on a needs basis to facilitate investments.
- Loan principal repayments and returns of equity would be reinvested into the Corporation. Earnings (both interest receipts and dividends on equity) would be returned to the government.

The Clean Energy Finance Corporation would share its back office loan management activities with the Manufacturing Finance Corporation.

Costing overview

This proposal would be expected to decrease the fiscal balance by $29 million, the underlying cash balance by $18 million, and the headline cash balance by $558 million over the 2019-20 Budget forward estimates period.

This proposal would have ongoing impacts on the fiscal, underlying cash and headline cash balances (noting the significant impact on the headline cash balance) beyond the 2019-20 Budget forward estimates period. Detailed financial implications for the proposal over the period to 2029-30 are included at Attachment A.

The headline cash balance impact differs substantially from the fiscal and underlying cash balance impacts because under budget accounting standards, investments in financial assets for policy purposes are not included in the fiscal or underlying cash balances, however they are included in the headline cash balance which measures the total financing requirement of the budget. As the proposal involves investments in financial assets (the issuing of concessional loans), the financial impacts shown include public debt interest financial implications.

The financial implications of this proposal are sensitive to a number of assumptions.

- The estimates are particularly sensitive to assumptions about the maturity of the loans and the differential between concessional and market interest rates. This differential would affect interest earnings, discount expenses and unwinding revenue, should the actual level of concessionality differ from the assumption. Further, the public debt interest cost of borrowing may vary if the future borrowing rates diverge from the assumed rates.
- The estimates are sensitive to the assumption about how the Manufacturing Finance Corporation's investment is split between concessional loans and equity investments.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	-11	-9	-7	**-29**
Underlying cash balance	-	-7	-6	-5	**-18**
Headline cash balance	-	-191	-186	-181	**-558**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- The Manufacturing Finance Corporation would use its entire $1 billion special appropriation over the five years from 2019-20. Fifty per cent of the appropriation would be invested in concessional loans and the remainder would be provided as equity investments.
- Manufacturing Finance Corporation concessional interest rates and returns on equity would be between the benchmark rates for the Clean Energy Finance Corporation and the Clean Energy Innovation Fund.
- Debt not expected to be repaid is assumed to be 10 per cent of loans issued.
- Manufacturing Finance Corporation concessional loans would have a five-year term on average, with principal repayments being reinvested on an annual basis.
- Manufacturing Finance Corporation equity investments would have a 10-year term on average, with dividends being returned to the government and the principal repayments being reinvested at the end of the 10-year period.
- Concessional and market interest rates and the rate of return on equity investments would move in line with the five-year government bond rate projection as at the 2019 Pre-election Economic and Fiscal Outlook.

Methodology

The financial implications of the concessional loans and equity investments were estimated by applying the standard methodology for estimating the cost of concessional loans and equity investments, including public debt interest costs.

The public debt interest cost on an underlying cash and headline cash balance basis is adjusted for the timing of actual interest receipts.

Manufacturing Finance Corporation departmental costs were based on similar proposals and are consistent with costing models provided by the Department of the Environment and Energy and the Clean Energy Finance Corporation Annual Report 2017-18.

All estimates have been rounded to the nearest $1 million.

Data sources

The Department of the Environment and Energy provided costing models for the Clean Energy Finance Corporation.

Clean Energy Finance Corporation, 2018. *Clean Energy Finance Corporation Annual Report 2017-18* [Online] available at https://www.cefc.com.au/publications/annual-reports/.

The Department of Finance, 2016. *Resource Management Guide 115 - Accounting for concessional loans*. [Online] Available at https://www.finance.gov.au/sites/default/files/rmg-115-accounting-for-concessional-loans.pdf.

Commonwealth of Australia, 2019. *2019 Pre-election Economic and Fiscal Outlook*. Canberra: Commonwealth of Australia.

Clean Energy Finance Corporation Investment Mandate Direction 2018. [Online] Available at https://www.legislation.gov.au/Details/F2018L01768 [Accessed 08.04.2019].

Attachment A – Advanced Manufacturing Future Fund – financial implications

Table A1: Advanced Manufacturing Future Fund – Fiscal balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Revenue													
Interest accrued on loans	-	4	8	12	17	22	23	24	25	25	25	***24***	***186***
Income from unwinding of discounts	-	2	4	6	7	9	9	9	8	8	8	***11***	***69***
Dividends on equity investments	-	-	-	-	-	-	-	-	-	-	40	***-***	***40***
Total – revenue	**-**	**6**	**12**	**18**	**24**	**31**	**32**	**33**	**33**	**33**	**33**	**35**	**255**
Expenses													
Administered													
Concessional loan discount expense	-	-6	-7	-8	-10	-11	-7	-8	-8	-8	-7	***-21***	***-80***
Total – administered	***-***	***-6***	***-7***	***-8***	***-10***	***-11***	***-7***	***-8***	***-8***	***-8***	***-7***	***-21***	***-80***
Departmental													
Departmental	-	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	***-30***	***-100***
Total – departmental	***-***	***-10***	***-10***	***-10***	***-10***	***-10***	***-10***	***-10***	***-10***	***-10***	***-10***	***-30***	***-100***
Total – expenses	**-**	**-16**	**-17**	**-18**	**-20**	**-21**	**-17**	**-18**	**-18**	**-18**	**-17**	**-51**	**-180**
Total (excluding PDI)	**-**	**-10**	**-5**	**-**	**4**	**10**	**15**	**15**	**15**	**15**	**16**	**-16**	**75**
PDI impacts	**-**	**-1**	**-4**	**-7**	**-10**	**-15**	**-17**	**-17**	**-17**	**-18**	**-15**	**-13**	**-123**
Total (including PDI)	**-**	**-11**	**-9**	**-7**	**-6**	**-5**	**-2**	**-2**	**-2**	**-3**	**1**	**-29**	**-48**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Table A2: Advanced Manufacturing Future Fund – Underlying cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Receipts													
Interest payments received on loans	-	*4*	*8*	*12*	*17*	*22*	*23*	*24*	*25*	*25*	*25*	***24***	***185***
Dividends on equity investments	-	-	-	-	-	-	-	-	-	-	*40*	-	***40***
Total – receipts	**-**	**4**	**8**	**12**	**17**	**22**	**23**	**24**	**25**	**25**	**65**	**24**	**226**
Payments													
Departmental	-	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	***-30***	***-100***
Total – payments	**-**	**-10**	**-10**	**-10**	**-10**	**-10**	**-10**	**-10**	**-10**	**-10**	**-10**	**-30**	**-100**
Total (excluding PDI)	**-**	**-6**	**-2**	**2**	**7**	**12**	**13**	**14**	**15**	**15**	**55**	**-6**	**126**
PDI impacts	**-**	**-1**	**-4**	**-7**	**-10**	**-15**	**-17**	**-17**	**-17**	**-18**	**-15**	**-12**	**-122**
Total (including PDI)	**-**	**-7**	**-6**	**-5**	**-3**	**-3**	**-4**	**-3**	**-2**	**-3**	**40**	**-18**	**4**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Table A3: Advanced Manufacturing Future Fund – Headline cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Receipts													
Loan repayments	-	16	36	60	89	124	129	132	132	128	115	***113***	***963***
Interest payments received on loans	-	4	8	12	17	22	23	24	25	25	25	***24***	***186***
Equity repayments	-	-	-	-	-	-	-	-	-	-	90	**-**	***90***
Dividends on equity investments	-	-	-	-	-	-	-	-	-	-	40	**-**	***40***
Total – receipts	**-**	**20**	**44**	**72**	**106**	**146**	**152**	**156**	**157**	**153**	**270**	**137**	**1,279**
Payments													
Administered													
Loans from initial injection	-	-100	-100	-100	-100	-100	-	-	-	-	-	***-300***	***-500***
Loan from recycling principal	-	-	-16	-36	-60	-89	-124	-129	-132	-132	-128	***-53***	***-847***
Equity investment	-	-100	-100	-100	-100	-100	-	-	-	-	-	***-300***	***-500***
Total – administered	**-**	***-200***	***-216***	***-236***	***-260***	***-289***	***-124***	***-129***	***-132***	***-132***	***-128***	***-653***	***-1,847***
Departmental													
Departmental	-	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	***-30***	***-100***
Total – departmental	**-**	***-10***	***-10***	***-10***	***-10***	***-10***	***-10***	***-10***	***-10***	***-10***	***-10***	***-30***	***-100***
Total – payments	**-**	**-210**	**-226**	**-246**	**-270**	**-299**	**-134**	**-139**	**-142**	**-142**	**-138**	**-683**	**-1,947**
Total (excluding PDI)	**-**	**-190**	**-182**	**-174**	**-164**	**-153**	**18**	**17**	**15**	**11**	**132**	**-546**	**-668**
PDI impacts	**-**	**-1**	**-4**	**-7**	**-10**	**-15**	**-17**	**-17**	**-17**	**-18**	**-15**	**-12**	**-122**
Total (including PDI)	**-**	**-191**	**-186**	**-181**	**-174**	**-168**	**1**	**-**	**-2**	**-7**	**117**	**-558**	**-790**

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Australian Investment Guarantee	
Party:	Australian Labor Party

Summary of proposal:

This proposal would create an ongoing Australian Investment Guarantee to allow all businesses to immediately deduct 20 per cent of investment in eligible depreciable assets, except structures such as buildings.

The remaining investment in eligible depreciable assets not immediately deducted would continue to be deductible over the effective life of each asset.

The proposal would only apply to assets above $20,000 in value, no pooling of lower value assets would be allowed. The eligible assets would include tangible machinery, plant and equipment, as well as depreciating intangible assets for both upgrades and new purchases. It would not apply to passenger motor vehicles, but it would apply to:

- non-passenger motor vehicles such as lorries, vans, utes and trucks that are used to support trade businesses
- battery electric vehicles that are powered solely by batteries charged from an external power source, and hydrogen fuel cell vehicles.

The Australian Investment Guarantee would not apply to otherwise eligible expenditure currently claimed under the existing research and development tax concession.

The proposal would commence on 1 July 2021 and continue indefinitely.

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $3,890 million over the 2019-20 Budget forward estimates period. This impact is entirely due to a decrease in revenue.

The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period. The financial implications of the proposal over the period to 2029-30 are provided at Attachment A.

This proposal would be expected to decrease revenue over the period to 2029-30, reflecting the increase in allowable deductions as a result of businesses claiming an immediate deduction instead of current depreciation deductions. This impact would be expected to reduce over time from 2023-24 because the proposal would be expected to cause businesses to bring forward deductions that they would otherwise have claimed in future years. It would be expected that there would be a small increase in revenue in 2019-20 and 2020-21 due to businesses delaying purchases of eligible assets prior to the start of the proposal in order to be eligible for the immediate deduction.

The proposal would not be expected to have departmental expense implications as it would not significantly change the administrative complexity of the tax system.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	10	20	-830	-3,090	**-3,890**
Underlying cash balance	10	20	-830	-3,090	**-3,890**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Estimates for this proposal are very sensitive to the assumed total value of purchases of eligible assets each year. There is limited information regarding eligible asset purchases that are greater than the $20,000 threshold, therefore assumptions were required to estimate the percentage of all business asset purchases that would be eligible. Changes in this assumption could significantly affect the magnitude of the revenue impact. For example, sensitivity analysis indicates that increasing the percentage of total tangible asset purchases assumed to be eligible for the Australian Investment Guarantee by 10 percentage points (before allowing for non-taxable taxpayers) would decrease revenue by around $3,300 million over the period to 2029-30.

There is also limited information available to estimate the behavioural response of businesses to the proposal. In particular, the magnitude and pattern of the investment deferral arising from announcing the proposal ahead of its start date is uncertain. The PBO has assumed that businesses would defer some of their investments until after the start date to gain the benefits of the Australian Investment Guarantee.

There would be some increase in investment in later years as the proposal would increase the after-tax net present value of investments in eligible assets, mainly as a result of deferring tax payable. Behavioural assumptions were informed by an analysis of the impact of similar immediate deduction policies in Australia and the United States, however differences in policy specifications and economic conditions create uncertainty around these assumptions. There is also uncertainty around the proportion of the overall asset base that would be eligible for the Australian Investment Guarantee.

The PBO considers it likely that there would be a long-term impact on the level of investment, and hence gross domestic product, from this proposal, however the magnitude and timing of these impacts are highly uncertain and interact with the macroeconomic parameters that underpin the budget projections. As a result, these impacts have not been included in this costing. The dominant revenue impact from the proposal would relate to investment that would have occurred regardless of the proposal.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- There would be several behavioural responses in relation to the timing and composition of investments.

- A proportion of capital expenditure would be brought forward each year as investors have an incentive to invest earlier in order to claim increased deductions. This proportion would be approximately 7.5 per cent in total over the years 2021-22 to 2029-30.
- A proportion of capital expenditure that would otherwise occur in the two years leading up to the introduction of the proposal would be delayed to after 1 July 2021 in order to claim the Australian Investment Guarantee. This proportion would be approximately 2.5 per cent over the two years.
- The proposal would induce a small increase of around 0.5 per cent in the level of investment in eligible assets relative to ineligible assets compared to what would have occurred in the absence of the proposal.
- Businesses would not vary their tax instalments in the first year of the proposal to avoid the risk of incurring penalties by understating their taxes.[1]

- The value of eligible assets would be a proportion of the total value of assets acquired by businesses, based on unpublished Australian Bureau of Statistics (ABS) data and company tax return data.
  - Approximately 45 per cent of all machinery, plant and equipment investment would be eligible for the allowance. This proportion has been estimated by examining the unpublished asset categories that make up the ABS machinery, plant and equipment series, and professional judgment of the value of these assets costing more than $20,000.
  - Approximately 45 per cent of all intangible assets would be eligible for the allowance.
- Assets would be purchased evenly throughout the year.
- Approximately 50 per cent of tangible capital investment would be depreciated using the diminishing value method, and 50 per cent using the prime cost method. Intangible assets can only be depreciated using the prime cost method.
- The average effective life of eligible tangible assets would be 10 years.
- The average effective life of eligible intangible assets would be 12 years.
- The share of businesses would that pay no tax because they have negative taxable income would remain constant.
  - At present, around 20 per cent of companies with depreciation deductions pay no tax.
- This proposal would not have an effect on businesses' dividend policies and would therefore not affect dividends and imputation credits.

Methodology

The value of eligible capital expenditure by eligible businesses was estimated based on ABS data and information on depreciation and capital expenditure (excluding research and development expenditure as per the specification), including capital expenditure on intangible assets from the company tax return.

[1] Currently, when a business varies or revises its pay-as-you-go instalments, the Australian Taxation Office will compare the business's instalments to total tax payable on the business's instalment income for the year, and, if the business's instalments are less than 85 per cent of that total, it may be subject to a general interest charge on the difference, as well as penalties.

The associated deductions were estimated with and without the Australian Investment Guarantee, taking into account the estimated behavioural responses and the impact of businesses who pay no tax because their taxable income is negative. The cost of the proposal has been calculated as the difference in taxation revenue between each case. An adjustment was made for the recently announced extension to the small-business instant asset write-off measure.

Revenue estimates have been rounded to the nearest $10 million.

Data sources

ABS, 2019. *Private New Capital Expenditure and Expected Expenditure*, Australia, Cat. No. 5625.0.

ABS provided unpublished data on detailed capital expenditures in plant, machinery and equipment in ABS catalogue number 8155.0 by ANZSIC 2006 division, with a breakdown into the specified asset types for the 2014-15, 2015-16 and 2016-17 financial years.

ABS, 2019. *Survey of Motor Vehicle Use*, Australia, Cat. No. 9208.0.

The Australian Taxation Office provided detailed tax return information for companies and individuals for the 2015-16 and 2016-17 income years.

Commonwealth of Australia, 2019, *2019-20. Budget*, Canberra: Commonwealth of Australia.

The Treasury and the Department of Finance, 2019. *Pre-election Economic and Fiscal Outlook 2019*, Canberra: The Treasury and the Department of Finance.

David Rodgers and Jonathan Hambur, 2018. *The GFC Investment Tax Break*, Research Discussion Paper, RDP 2018-07, Reserve Bank of Australia, https://www.rba.gov.au/publications/rdp/2018/pdf/rdp2018-07.pdf.

Energeia, 2018. *Australian Electric Vehicle Market Study*, Energeia: Sydney.

Eric Zwick and James Mahon, 2017. *Tax Policy and Heterogeneous Investment Behaviour*, American Economic Review 2017, 107(1): pp 217–248.

Attachment A – Australian Investment Guarantee – financial implications

Table A1: Australian Investment Guarantee – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Total revenue	10	20	-830	-3,090	-1,850	-1,730	-1,610	-1,490	-1,360	-1,220	-1,280	**-3,890**	**-14,420**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary Budget Office

Policy costing

Better pay for early childhood educators	
Party	Australian Labor Party
Summary of proposal: This proposal would provide funding to progressively increase salaries of early childhood educators in the private sector by 20 per cent over eight years from 1 July 2021. Details of which private sector educators would be covered by the proposal would be negotiated with relevant stakeholders. The proposal would be implemented at a maximum cost to the budget of $537 million over the 2019-20 Budget forward estimates period and $9,967 million over the period 2019-20 to 2029-30.	

Costing overview

Noting that details of the policy are to be determined following consultation with stakeholders, the Parliamentary Budget Office (PBO) has estimated the financial implications of this proposal on the basis of the assumptions and methodological approaches set out in the *Key assumptions* and *Methodology* sections below.

This proposal would be expected to decrease both the fiscal and underlying cash balances by $537 million over the 2019-20 Budget forward estimates period. These financial implications reflect the net impact of increases in administered expenses of $736 million and departmental expenses of $29 million, partially offset by an increase in taxation revenue of $228 million. The financial impact includes Commonwealth Government-funded expenses associated with increased wages and associated compulsory superannuation contributions.

The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period. The financial implications for the period 2019-20 to 2029-30 are provided at Attachment A.

The financial implications of this proposal are sensitive to changes in wages growth and in the number of early childhood educators. These become more uncertain over the medium term.

This proposal has been completed on a stand-alone basis. However, it is worth noting that this proposal's financial implications may be affected by interactions with two other Australian Labor Party (ALP) early childhood education election commitments (*Labor's plan for cheaper child care* (PER305) and *National Preschool and Kindy Program* (PER307)).

The magnitude of these interactions is difficult to quantify because it is unclear how these three proposals would interact in practice, particularly given the uncertainty regarding which educators would be covered by this proposal. Other factors that would affect potential interactions include differing start dates for the proposals and the extent to which private sector child care centres and preschools based in government schools may seek to draw on the same workforce to meet increased demand. Given these uncertainties, no allowance for interactions has been incorporated.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	-2	-178	-357	**-537**
Underlying cash balance	-	-2	-178	-357	**-537**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- Early childhood educators covered by the proposal would be carers, teachers and managers, defined under the Australian and New Zealand Standard Classification of Occupations, working in private sector child care facilities.
  - Persons working in state and local-government funded child care services and preschools would not be included.
- There would be no material change in the aggregate number of projected early childhood educators in response to this proposal.
- The outcome of negotiations with stakeholders would be constrained by the budget envelope provided by this costing.

Methodology

The funding envelope was calculated by estimating the number of early childhood educators that would be supported by this proposal and multiplying that number by the proposed increase in wages and superannuation.

The number of early childhood educators and baseline wages were informed by Australian Bureau of Statistics (ABS) labour force data on child care centre managers, early childhood teachers, and child carers, grown by population and average weekly earnings projections. Family day care workers and employees of state and local government funded services were not included in these estimates.

The revenue implications were estimated based on the difference between projected tax liabilities (including tax on additional superannuation contributions) under both the current baseline and the proposal.

Departmental expenses include initial implementation costs to establish a system for the Commonwealth Government to pay early childhood educators the amount equivalent to the proposed wage increase. The ongoing departmental impact of the proposal was calculated by estimating the annual cost of administering the wage increase payments per employee under the proposal. The initial and ongoing costs were based on an existing program of similar size and complexity.

All estimates were rounded to the nearest $1 million.

Data sources

ABS, 2018. *Employee Earnings and Hours, Australia*, ABS Cat. No. 6306.0, May 2018.

ABS, 2019. *Labour force*, Australia, ABS Cat. No. 6291.0.55.003, February 2019.

The Australian Taxation Office provided de-identified tax file data.

The Department of Human Services provided annual unit payment administration costs as at the 2019-20 Budget.

The Treasury provided medium-term population projections and indexation parameters as at the 2019-20 Budget.

Attachment A – Better pay for early childhood educators – financial implications

Table A1: Better pay for early childhood educators – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Revenue													
Personal income tax	-	-	*68*	*149*	*241*	*346*	*462*	*590*	*729*	*878*	*931*	***218***	***4,395***
Superannuation contribution tax	-	-	*3*	*7*	*12*	*18*	*25*	*31*	*39*	*46*	*49*	***10***	***230***
Superannuation earnings tax	-	-	..	..	*1*	*1*	*2*	*4*	*5*	*7*	*10*	**..**	***31***
Total – revenue	**-**	**-**	**71**	**156**	**254**	**365**	**489**	**625**	**773**	**931**	**990**	**228**	**4,656**
Expenses													
Administered – Funding for salary increases	-	-	*-236*	*-499*	*-800*	*-1,145*	*-1,531*	*-1,949*	*-2,401*	*-2,889*	*-3,034*	***-736***	***-14,486***
Departmental – Administering wage increase payments	-	*-2*	*-13*	*-14*	*-14*	*-15*	*-15*	*-16*	*-16*	*-16*	*-16*	***-29***	***-137***
Total – expenses	**-**	**-2**	**-249**	**-513**	**-814**	**-1,160**	**-1,546**	**-1,965**	**-2,417**	**-2,905**	**-3,050**	**-765**	**-14,623**
Total	**-**	**-2**	**-178**	**-357**	**-560**	**-795**	**-1,057**	**-1,340**	**-1,644**	**-1,974**	**-2,060**	**-537**	**-9,967**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Collaboration premium	
Party:	Australian Labor Party

Summary of proposal:

The proposal is to include a collaboration premium of an additional 10 per cent in the calculation of research and development (R&D) tax offsets. This premium rate would be applied to expenditures for R&D undertaken in collaboration with public universities or Commonwealth Government-funded research organisations (such as the Commonwealth Scientific and Industrial Research Organisation), and to the costs of employing new science, technology, engineering and mathematics (STEM) PhD or equivalent graduates in their first three years of employment to conduct R&D.

The collaboration premium rate would be applied to eligible expenditure in addition to the existing calculation of a company's R&D offset.

The proposal would apply to companies from income years on or after 1 July 2019.

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by $170 million over the 2019-20 Budget forward estimates period. This impact is entirely due to a decrease in revenue.

A breakdown of the impact of the proposal over the 2019-20 Budget forward estimates period is provided at Attachment A. The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

Departmental costs have not been included as the proposal would not be expected to significantly increase the work of the Australian Taxation Office.

The estimates of the proposal are sensitive to the high degree of uncertainty as to what the current level of collaborative R&D expenditure is, how it would grow and what the actual behavioural response by companies would be to the introduction of a collaboration premium rate. The data sources used to estimate the current levels of collaborative R&D expenditure do not perfectly capture this expenditure and have had to be adjusted so that this proposal could be costed.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	-40	-60	-70	**-170**
Underlying cash balance	-	-40	-60	-70	**-170**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- All R&D funding received by public universities or Commonwealth Government-funded research organisations from businesses would be eligible for the collaboration premium rate.
  - These funding amounts exclude fees paid to these organisations by businesses for the hire or use of their equipment and facilities. For example, the purchase of 'beam time' on the Australian Synchrotron from the Australian Nuclear Science and Technology Organisation would not be eligible expenditure, but the cost to a business of contracting the Australian Nuclear Science and Technology Organisation to use the Australian Synchrotron to perform the research would be eligible expenditure.
- As a result of the proposal, in 2019-20 there would be a 25 per cent increase in expenditure on collaborative R&D activities. This would not represent new R&D expenditure, but rather a shift from non-collaborative to collaborative R&D expenditure.
  - The fact that Australia has one of the lowest rates of collaboration in the Organisation for Economic Cooperation and Development would suggest that there is significant room to increase business spending on collaborative R&D. However this increase would be somewhat limited by non-financial factors preventing greater collaboration. In the Australian Bureau of Statistics (ABS) publication *Innovation in Australian Business* (ABS Cat. No. 8158.0), innovative businesses list numerous non-financial reasons for this low amount of collaboration, such as lack of time or expertise. Less than half of businesses that perceive a barrier to collaboration list financial factors as a reason.
  - Following the 25 per cent increase in expenditure on collaborative R&D in 2019-20, the level of eligible expenditure would remain constant over the 2019-20 Budget forward estimates period.
- Approximately 43 per cent of STEM PhD or equivalent graduates are employed in the private sector.
  - Half of STEM PhD or equivalent graduates who are employed in the private sector are working in R&D activities.
  - Approximately 80 per cent of these graduates would be full-time-equivalent employees.
- Eligible graduates would have an average salary of $83,000 in 2019-20 and their salaries would grow in line with average weekly earnings projections.

- Eligible expenditure on STEM PhD or equivalent graduates would increase over the first three years of the proposal. This would be because in each of the first three years a new PhD cohort would finish their studies and their employment costs would become eligible for the collaboration premium rate.
- About 95 per cent of the additional non-refundable R&D tax offset would be used to reduce the company tax of affected businesses. Two-thirds of the additional non-refundable R&D tax offset would be used in the same year the related expense is incurred and about a quarter would be used over the following three years. The remaining additional non-refundable R&D tax offset would not be used as it would apply to non-taxable businesses.

Methodology

The eligible expenditure on collaboration in R&D activities with public universities was identified as the amount of funding received from businesses for R&D conducted by universities in the ABS survey *Research and Experimental Development, Higher Education Organisations, Australia, 2016*, (ABS Cat. No. 8111.0).

The eligible expenditure on collaboration in R&D activities with Commonwealth Government-funded research organisations was identified as the amount of funding received from businesses for R&D conducted by Commonwealth Government-funded research organisations in the ABS survey *Research and Experimental Development, Government and Private Non-Profit Organisations, Australia, 2016-17*, (ABS Cat. No. 8109.0) plus a 10 per cent gross up to account for relevant expenditure not included in the dataset.

The eligible expenditure on STEM PhDs or equivalent graduates in their first three years of employment was based on an estimate of the number of students who graduate from Australian universities with STEM PhDs each year, the proportion of STEM PhD recipients who are employed in the private sector, the assumed proportion who would be working in R&D, the proportion who would be working on a full-time-equivalent basis, and their assumed earnings.

The eligible expenditure amounts were then summed together and this total was increased by the assumed behavioural response to the proposal.

The total amount of additional R&D tax offset available was calculated by applying the specified premium percentage to the total eligible expenditure on R&D activities. These figures were adjusted to account for the timing of company tax payments, the carry-forward of offsets, and the clawback due to changes in dividends and franking credits.

All estimates have been rounded to the nearest $10 million.

Data sources

The Australian Taxation Office provided the de-identified company tax return data for the 2016-17 financial year.

Commonwealth of Australia, 2018. *Budget 2018-19*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2018. *2019 Pre-election Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.

ABS, *Research and Experimental Development, Government and Private Non-Profit Organisations, Australia, 2016-17*, ABS Cat. No. 8109.0, 5 July 2018.

ABS*, Research and Experimental Development, Higher Education Organisations, Australia, 2016*, ABS Cat. No. 8111.0, 22 May 2018.

ABS, *Innovation in Australia Business*, 2016-17, ABS Cat. No. 8158.0, 19 July 2018.

Department of Education and Training, 2015. *International Students Studying Science, Technology, Engineering and Mathematics (STEM) in Australian Higher Education Institutions*, Commonwealth Government: Canberra.

Graduate Careers Australia, 2015*. Postgraduate Destinations 2015: A report on the work and study outcomes of recent higher education postgraduates*, Graduate Careers Australia: Melbourne.

Office of the Chief Scientist, 2014*. Benchmarking Australian Science, Technology, Engineering and Mathematics*, Commonwealth Government: Canberra.

Office of the Chief Scientist, 2016. *Australia's STEM Workforce: Science, Technology, Engineering and Mathematics*, Commonwealth Government: Canberra.

Attachment A – Collaboration premium – financial implications

Table A1: Collaboration premium – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue	-	*-40*	*-60*	*-70*	***-170***
Total – revenue	**-**	**-40**	**-60**	**-70**	**-170**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary
Budget Office

Policy costing

Including labour hire in the taxable payments reporting system	
Party:	Australian Labor Party
Summary of proposal: This proposal would extend the taxable payments reporting system to the following industries identified by Australian and New Zealand Standard Industrial Classification (ANZSIC) codes: • Employment placement and recruitment services (ANZSIC 72110) • Labour supply services (ANZSIC 72112). This proposal would have effect from 1 July 2019.	

Costing overview

Policy background

Under the taxable payments reporting system, some businesses need to report information to the Australian Taxation Office (ATO) about the payments they make to contractors for services. The information the ATO collects through taxable payments reporting aims to address non-lodgement of tax returns, omitted income in tax returns, and non-compliance with goods and services tax obligations.

General

This proposal would be expected to increase the fiscal and underlying cash balances by $8 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, this impact reflects an increase in revenue of $21 million, an increase in administered expenses of $4 million and an increase in departmental expenses of $9 million.

The proposal would be expected to increase departmental expenses for the ATO over the 2019-20 Budget forward estimates period by $9 million in order to implement the proposed extension of the taxable payments reporting system.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

The fiscal balance and underlying cash balance impacts differ due to a timing difference between when tax liabilities are recognised and when they are paid.

The estimates in this costing are sensitive to the high degree of uncertainty as to the proportion of contractors in the labour hire industry that provide intra-industry services and what the behavioural response by contractors to the proposal would be.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-1	3	4	2	**8**
Underlying cash balance	-1	2	5	2	**8**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- Around 40 per cent of contractors would not comply with the taxable payments reporting system.
- The average proportion of contractors that provide intra-industry services is around 10 per cent and will remain at around that level over the period to 2029-30.
- Revenue raised from the proposal would phase in over three years due to delays in reporting and businesses adjusting tax instalments.
- Revenue from the proposal would grow at around 2 per cent per year.

Methodology

This costing was based on the model used for the 2018-19 Budget measure *Black Economy Package – further expansion of taxable payments reporting* provided by the Treasury. The amount of additional income that would likely become taxable as a result of the proposed extension of the taxable payments reporting system was estimated using aggregated data on affected contractors and the assumptions listed above.

Departmental expense estimates were based on advice from the ATO.

Estimates have been rounded to the nearest $1 million.

Data sources

Commonwealth of Australia, 2017. *Black Economy Taskforce Final Report*, Canberra: Commonwealth of Australia.

The ATO provided aggregate data on contractors in the affected industries and advice on the departmental costs of implementing the proposal.

The Treasury provided modelling for the 2018-19 Budget measure *Black Economy Package – further expansion of taxable payments reporting*.

Attachment A – Including labour hire in the taxable payments reporting system – financial implications

Table A1: Including labour hire in the taxable payments reporting system – Fiscal balance ($m)(a)(b)

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Revenue					
Income tax	*1*	*5*	*6*	*5*	***17***
Goods and services tax	*1*	*1*	*1*	*1*	***4***
Total – revenue	**2**	**6**	**7**	**6**	**21**
Expenses					
Goods and services tax	*-1*	*-1*	*-1*	*-1*	***-4***
Departmental funding – ATO	*-2*	*-2*	*-2*	*-3*	***-9***
Total – expenses	**-3**	**-3**	**-3**	**-4**	**-13**
Total	**-1**	**3**	**4**	**2**	**8**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

Table A2: Including labour hire in the taxable payments reporting system – Underlying cash balance ($m)(a)(b)

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Receipts					
Income tax	*1*	*4*	*7*	*5*	***17***
Goods and services tax	*1*	*1*	*1*	*1*	***4***
Total – receipts	**2**	**5**	**8**	**6**	**21**
Payments					
Goods and services tax	*-1*	*-1*	*-1*	*-1*	***-4***
Departmental funding – ATO	*-2*	*-2*	*-2*	*-3*	***-9***
Total – payments	**-3**	**-3**	**-3**	**-4**	**-13**
Total	**-1**	**2**	**5**	**2**	**8**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary Budget Office

Policy costing

Measures to deal with anti-dumping	
Party:	Australian Labor Party
Summary of proposal: This proposal has two components relating to anti-dumping provisions. • Component 1 – Increase funding by $3.5 million per year for the Anti-Dumping Commission. • Component 2 – Increase the additional duty by 200 per cent for those who circumvent the anti-dumping provisions. The proposal would have effect from 1 July 2019.	

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by $3.5 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in departmental expenses of $14 million and an increase in revenue of $10.5 million.

A breakdown of the financial implications over the 2019-20 Budget forward estimates period is provided at Attachment A. This proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

The financial implications relating to this proposal are highly uncertain as these are based on an assumption that the levels of circumvention activity would be similar to the levels since anti-circumvention provisions were introduced in June 2013.[1] The amount of circumvention of the anti-dumping provisions has been highly variable from year to year, and anti-dumping notices (and any subsequent changes to the notices to respond to circumvention) depend on the circumstances of each case, which are also highly variable. Additionally, the Parliamentary Budget Office (PBO) has not undertaken any analysis to assess whether the proposed expenditures would be sufficient to achieve the objective of the policy proposals.

[1] As per the *Customs Tariff (Anti-Dumping) Regulation 2013*

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-1.0	-1.0	-1.0	-1.0	**-3.5**
Underlying cash balance	-1.0	-1.0	-1.0	-1.0	**-3.5**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- Ongoing levels of circumvention activity would be similar to the levels since anti-circumvention provisions were introduced in June 2013.
  - As there have been a limited number of cases completed since June 2013 the PBO does not have sufficient information to inform any assumptions about possible behavioural responses.
- The additional funding to the Anti-Dumping Commission would not result in increased revenue from anti-circumvention inquiries.
  - Due to the complex and specialist nature of the work, increased resourcing may have limited effects on the timeframes of the anti-dumping investigation process, which already include legislated limits.
  - An increase in investigation finalisations would not necessarily equate to an increase in revenue, as the remedy imposed is specific to each case.
- The increase in penalties for dumping would not reduce the level of illegal dumping activity.

Methodology

The additional funding to the Anti-Dumping Commission is $3.5 million per year as specified in the request.

The additional revenue raised from anti-circumvention inquiries is based on applying the proposed increase of 200 per cent to the historical average annual additional duty amounts.

Estimates have been rounded to the nearest $0.5 million.

Data sources

The Anti-Dumping Commission provided information on revenue raised from anti-circumvention inquiries.

Attachment A – Measures to deal with anti-dumping – financial implications

Table A1: Measures to deal with anti-dumping – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Total revenue	2.5	2.5	2.5	2.5	**10.5**
Total expense	-3.5	-3.5	-3.5	-3.5	**-14.0**
Total	**-1.0**	**-1.0**	**-1.0**	**-1.0**	**-3.5**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary
Budget Office

Policy costing

National rail policy	
Party:	Australian Labor Party
Summary of proposal:	

This proposal would establish a National Rail Manufacturing Agency with three components.

- Component 1: Establish a National Rail Manufacturing Agency within the Department of Industry, Innovation and Science on 1 January 2020. The agency would have one Senior Executive Service Band 1 officer and 20 staff at the following Australian Public Service (APS) and Executive Level (EL) levels:
  – two APS level 2 staff
  – two APS level 3 staff
  – two APS level 4 staff
  – three APS level 5 staff
  – four APS level 6 staff
  – three EL 1 staff
  – four EL 2 staff.
- Component 2: Establish a Rail Manufacturing Industry and Innovation Council on 1 July 2019, based on the previous Steel Industry Innovation Council.
- Component 3: Appoint a Rail Industry Supplier Advocate on 1 July 2019, based on the previous Rail Supplier Advocate.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $13.8 million over the 2019-20 Budget forward estimates period. This impact entirely reflects an increase in departmental expenses. A breakdown of the financial implications over the 2019-20 Budget forward estimates period is included at Attachment A.

The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

The estimated financial implications of Component 1 are sensitive to changes in wage indexation parameters. The estimated financial implications of Components 2 and 3 are sensitive to the actual size and scope of the proposed Rail Manufacturing Industry and Innovation Council and Rail Industry Supplier Advocate.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-2.2	-3.8	-3.8	-3.9	**-13.8**
Underlying cash balance	-2.2	-3.8	-3.8	-3.9	**-13.8**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The estimated cost of establishing a National Rail Manufacturing Agency was calculated by multiplying the average staffing cost by the specified number of employees at each staffing level.

The estimated cost of establishing a Rail Manufacturing Industry and Innovation Council was based on the annual cost of the former Steel Industry Innovation Council, indexed by the relevant wage indexation parameters.

The estimated cost of appointing a Rail Industry Supplier Advocate was based on the annual cost of the former Rail Supplier Advocate, indexed by the relevant wage indexation parameters.

All estimates have been rounded to the nearest $100,000.

Data sources

The Department of Finance provided indexation parameters as at the 2019-20 Budget.

The Department of Industry, Innovation and Science provided historical annual expenses for the Steel Industry Innovation Council and the Rail Supplier Advocate, as at 28 November 2017.

Attachment A – National rail policy – financial implications

Table A1: National rail policy – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Expenses					
Departmental					
Component 1 – National Rail Manufacturing Agency	*-1.6*	*-3.2*	*-3.2*	*-3.2*	***-11.1***
Component 2 – Rail Manufacturing Industry and Innovation Council	*-0.3*	*-0.3*	*-0.3*	*-0.3*	***-1.3***
Component 3 – Rail Industry Supplier Advocate	*-0.3*	*-0.3*	*-0.3*	*-0.4*	***-1.4***
Total – expenses	**-2.2**	**-3.8**	**-3.8**	**-3.9**	**-13.8**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary Budget Office

Policy costing

New jobs tax cut	
Party:	Australian Labor Party

Summary of proposal:

This proposal would allow companies with an annual turnover under $10 million to claim an additional tax deduction of 30 per cent for up to five new workers' salaries for their first year of employment. Total additional deductions would be capped at $50,000 per company.

Companies would need to have been operating for a minimum of two years and register with the Australian Taxation Office (ATO) with evidence of their current full-time-equivalent payroll, and payroll for the 12 months prior to accessing the scheme. Once registered, the tax deductions would be processed as part of a company's normal tax affairs.

To be eligible for the additional deduction, new employees need to be either:

- job seekers under the age of 25 who have been unemployed for three months or more
- people returning to work after a period of parental leave or other caring responsibilities, and have been looking for work for three months or more
- people over the age of 55 who have been unemployed for three months or more.

The proposal would have effect from 1 July 2020.

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by $141 million over the 2019-20 Budget forward estimates period. This impact reflects a decrease in company tax revenue of $140 million and an increase in departmental expenses for the ATO of $1 million.

A breakdown of the financial implications of the proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

The proposal would be expected to increase departmental expenses in 2020-21 in order for the ATO to implement the system changes required.

This costing is subject to uncertainty, especially with respect to the assumptions on the proportion of new employees eligible under the proposal. The estimates are also sensitive to assumptions around the average salary of eligible new employees, growth in eligible new employees, and their wage growth. Changes in these assumptions could have a significant impact on the estimates.

It is also uncertain whether the proposal would affect the overall level of employment in the economy as eligible companies may preferentially select new employees eligible for the proposed additional deduction over other potential employees who are not. As a result, no further financial implications arising from any changes to total employment have been included in this costing.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	-1	-60	-70	**-141**
Underlying cash balance	-	-1	-60	-70	**-141**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- New employees are those employees who have been added to an employer's payroll over the last year.
- Around 8 per cent of new employees under the age of 25 and around 6 per cent of new employees aged over 55 would meet the eligibility criteria of having been unemployed for three months or more. In addition, around 1 per cent of new employees aged between 25 and 55 would meet the criteria of returning to work after a period of parental leave or other caring responsibilities after having been looking for work for three months or more.
  - These proportions were calculated based on data from the *Household, Income and Labour Dynamics in Australia Survey* and information published by the Australian Bureau of Statistics on the labour force status and other characteristics of families.
- The number of new employees meeting the eligibility criteria of the proposal would increase by 10 per cent relative to current levels in response to the proposal. Wages and salaries paid to these new employees would be deductible.
  - As the PBO has not assessed the aggregate change in employment, and given the uncertainty over the actual wages of employees, no impact on personal income tax has been included in costing this proposal.
- The number of new employees in each year for each age group would grow in line with projections of the total number of employed persons for each age group.
- The average wages and salaries of eligible new employees would be about $43,000 in 2020-21 and would grow in line with growth in average weekly earnings.
  - This is based on pay-as-you-go data for 2015-16 for new employees of companies that have turnover under $10 million and have been in existence for at least two years.
- Around 45 per cent of eligible companies would have sufficient net taxable income to use the additional deduction in the current year, based on company tax return data from the ATO.

- About a quarter of deductions not used in the year they were generated would be used as carry-forward losses over the following two years. Any remaining deductions would not be used.

Methodology

The total number of new employees hired by eligible companies and their average wages for 2015-16 was calculated by matching anonymised company tax return data, pay-as-you-go annual statements and personal income tax return data. These estimates were then multiplied by the assumed proportion of eligible new employees by age group to calculate the total number of new employees whose wages would be eligible for the proposed additional tax deductions. The calculated number of eligible employees and their average wages were then projected over the period to 2029-30 by the assumed growth rates.

The total of wages eligible for the additional deduction was calculated by multiplying the projected number of eligible employees by their projected average wage.

The total amount of additional tax deductions was calculated by multiplying the total of wages eligible for the additional deduction by the rates specified in the proposal.

The amount of utilised deduction was calculated by multiplying the amount of additional tax deductions by the assumed utilisation rates for the additional deductions in each year.

Multiplying the total utilised deduction for each year by the tax rate for small and medium companies then gave the revenue impact over the 2019-20 Budget forward estimates period.

Departmental expense estimates are based on estimates of the cost of changing similar arrangements.

Revenue estimates have been rounded to the nearest $10 million. Departmental expense estimates have been rounded to the nearest $1 million.

Data sources

The ATO provided personal income tax return data and company tax return data for the financial years of 2013-14, 2014-15 and 2015-16.

The Treasury provided projections of employed population and average weekly earnings as at the 2019-20 Budget.

Australian Bureau of Statistics, 2017, *6224.0.55.001 Labour Force, Australia: Labour Force Status and Other Characteristics of Families, June 2017*, Canberra: Commonwealth of Australia.

This costing uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Project was initiated and is funded by the Australian Government Department of Social Services (DSS), and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this response, however, are those of the PBO and should not be attributed to either DSS or the Melbourne Institute.

Attachment A – New jobs tax cut – financial implications

Table A1: New jobs tax cut – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Company tax revenue	-	-	*-60*	*-70*	***-140***
Departmental expenses – ATO	-	*-1*	-	-	***-1***
Total	**-**	**-1**	**-60**	**-70**	**-141**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Better Hospitals Fund	
Party:	Australian Labor Party
Summary of proposal: The proposal has four components. • Component 1: The Commonwealth Government would fund an increased share of the annual growth in the efficient cost of activity-based and block-funded hospital services over the period 2020-21 to 2024-25. – The share of growth funded by the Commonwealth would gradually increase from the baseline level of 45 per cent to 50 per cent by 2024-25 with the cost of this graduated increase to be $1 billion over the period 2020-21 to 2024-25. Funding from 2025-26 onwards would be determined in the negotiations of the next *National Health Reform Agreement*. • Component 2: $1,000 million would be provided for new capital projects for hospitals and other health facilities over five years from 2019-20. Of this funding, $50 million would be committed to the proposal to build the new Nepean Hospital Comprehensive Cancer Care Centre in 2024-25. • Component 3: $250 million over five years would be provided to reduce the size of elective surgery waiting lists in public hospitals. • Component 4: $517.7 million over five years would be provided for projects related to delivering better hospital services. Components 1 and 4 would commence 1 July 2020 and Components 2 and 3 would commence on 1 July 2019.	

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by $1,295 million over the 2019-20 Budget forward estimates period. This impact is entirely due to an increase in administered expenses.

The proposal is expected to have an impact beyond the 2019-20 Budget forward estimates period. The estimated financial implications over the period to 2029-30 are at Attachment A.

Departmental expenses are not expected to be significant and have not been included in the analysis.

The estimates for Component 1 are sensitive to projections of demand for hospital services and the efficient price of those services, as determined by the Independent Hospital Pricing Authority. The estimates for Components 2, 3 and 4 are based on specified capped amounts.

Table 1: Financial implications ($m)[(a)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-123	-253	-388	-531	**-1,295**
Underlying cash balance	-123	-253	-388	-531	**-1,295**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

Component 1 – Fund an increased share of the annual growth in the efficient cost of activity-based and block-funded hospital services

- Based on information from the Department of Health, growth rates for activity-based and block-funded components under the current activity-based funding model are as follows.
  - The National Efficient Price grows by 1.6 per cent per year.
  - The National Weighted Activity Units grow by 3.9 per cent per year.
  - The National Efficient Cost grows by 2.9 per cent per year.
- To meet the criteria of a gradual increase in funding to reach 50 per cent of the annual growth in the efficient cost of activity-based and block-funded hospital services by 2024-25 at a cost of $1 billion, the funding trajectory starts at 45 per cent in 2019-20 and rises as follows: 46 per cent in 2020-21; 47 per cent in 2021-22; 48 per cent 2022-23; 49 per cent in 2023-24 and 50 per cent 2024-25.
- Consistent with the budget treatment of hospital funding when a subsequent agreement with the states and territories has not been finalised, policy settings from 2025-26 onwards revert to the current policy baseline. That is, the Commonwealth Government would fund 45 per cent of the annual growth in the efficient cost of activity-based and block-funded hospital services over the medium term, with annual funding growth capped at 6.5 per cent.
- The amounts provided for public health activities under the National Health Reform Agreement 2011 would continue.

Methodology

Component 1 – Fund an increased share of the annual growth in the efficient cost of activity-based and block-funded hospital services

The financial implications of this proposal represent the difference between the 2019-20 Budget baseline and the specified changes to funding arrangements, with the assumed trajectory for reaching 50 per cent of annual growth in efficient costs of hospitals services as outlined above. Efficient growth in hospital services was estimated using the Department of Health's hospital funding model, and would be maintained at 2024-25 levels over the period to 2029-30.

Components 2 and 3 – New capital projects and Elective surgery waiting lists

The financial implications of these components are equal to the specified capped funding amount over the period from 2019-20 to 2024-25.

Component 4 – Projects to deliver better hospital services

This funding is calculated as the remainder of the total of expenditure for Components 1, 2 and 3 over the period 2019-20 to 2024-25 and the $2.8 billion announced by the Australian Labor Party in their *Better Hospitals Fund* commitment.

All components

All estimates were rounded to the nearest $100,000.

Data sources

The Department of Health provided the 2019-20 Pre-election Economic and Fiscal Outlook hospital funding model.

Attachment A – Better Hospitals Fund – financial implications

Table A1: Better Hospitals Fund – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Expenses													
Administered													
Component 1 – Fund an increased share of the annual growth in the efficient cost of activity-based and block-funded hospital services	-	*-26.9*	*-83.6*	*-173.1*	*-298.7*	*-464.0*	*-464.0*	*-464.0*	*-464.0*	*-464.0*	*-464.0*	***-283.6***	***-3,366.0***
Component 2 – New capital projects	*-98.4*	*-180.3*	*-180.3*	*-180.3*	*-180.3*	*-180.3*	-	-	-	-	-	***-639.4***	***-1,000***
Component 3 – Elective surgery waiting lists	*-24.6*	*-45.1*	*-45.1*	*-45.1*	*-45.1*	*-45.1*	-	-	-	-	-	***-159.8***	***-250.0***
Component 4 – Projects to deliver better hospital services	-	*-0.7*	*-79.0*	*-132.5*	*-156.9*	*-148.6*	-	-	-	-	-	***-212.2***	***-517.7***
Total	**-123.0**	**-253.0**	**-388.0**	**-531.0**	**-681.0**	**-838.0**	**-464.0**	**-464.0**	**-464.0**	**-464.0**	**-464.0**	*-1,295.0*	*-5,133.8*

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Medicare cancer plan	
Party:	Australian Labor Party

Summary of proposal:

The proposal has eight components and would have effect from 1 July 2020.

- Component 1: Introduce a new ongoing Medicare Benefits Schedule (MBS) item for medical oncologists, radiation oncologists and cancer surgeons to reduce out-of-pocket costs for patients following a cancer diagnosis. The new MBS item would be based on existing MBS item numbers 105 and 116: *Professional attendances,* whose item descriptions are provided at Attachment A.

  The new MBS item would cover professional attendance at consulting rooms or hospitals by the above-listed specialists for the purpose of providing ongoing care and maintenance of treatment following a cancer diagnosis.

  The item would be required to be bulk-billed and have an MBS schedule fee of $150.00 in 2020-21, with a 75 per cent benefit of $112.50 for services provided when the patient is admitted into hospital as a private patient and an 85 per cent benefit of $127.50 for services provided by a medical practitioner in a non-hospital setting. The schedule fee of the new item would be indexed in line with the current MBS indexation arrangements for the existing MBS items on which it is based.

- Component 2: Reduce out-of-pocket costs for diagnostic imaging by funding up to six million free cancer scans through Medicare. This component would provide $600 million over four years from 2020-21 and $1,500 million over the period to 2029-30.

  This would include substantially increasing the rebates for cancer-related scans provided to cancer patients, as long as the service is bulk billed. A Ministerial Working Group would be established comprising radiologists and other medical practitioners, consumers and cancer specialists, and would assist with implementing the policy from within the specified funding envelope.

- Component 3: Provide $10 million over two years to establish a Ministerial Working Group to develop a new national standard for informed financial consent for patients undergoing cancer treatment. This would give patients clear and consistent information about the costs they will incur.

- Component 4: Provide $125 million per year for four years for a National Partnership Agreement for cancer care services to reduce waiting times for cancer-related surgery and consultations in public hospitals.

- Component 5: Establish a support package to protect bulk billing for pathology and keep life-saving blood tests free for older Australians and Australians with cancer. This component would provide $200 million over four years from 2020-21 and $500 million over the period to 2029-30 to increase the bulk billing incentive for pathology tests.

- Component 6: Provide $300 million in total over four years from 2020-21 to upgrade cancer centres in hospitals across Australia. As part of this capital investment $60 million would fund 13 radiation therapy facilities in regional and rural areas.

- Component 7: Provide $250 million over four years from 2020-21 to invest in targeted services and support for cancer patients, including funding for clinical trials and cancer research, initiatives to support patients with lung cancer and young Australians diagnosed with cancer, awareness campaigns and increasing the number of specialist cancer nurses.
- Component 8: Guarantee that every drug recommended by the Pharmaceutical Benefits Advisory Committee will be listed on the Pharmaceutical Benefits Scheme.

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by $1,710.3 million over the 2019-20 Budget forward estimates period. This reflects an increase in administered expenses of $1,706.2 million and an increase in departmental expenses of $4.1 million.

A detailed breakdown of the financial implications over the 2019-20 Budget forward estimates period is provided at Attachment B. Components 1, 2 and 5 would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period. Components 3, 4, 6 and 7 would terminate in 2022-23 and Component 8, while ongoing, would have no impact on the budget as it reflects the baseline policy setting.

Departmental expenses for Components 1, 2 and 5 have been included for the Department of Human Services to administer and for the Department of Health to implement the proposed changes.

The financial implications for Component 1 are sensitive to a number of assumptions, some of which are informed by limited data, including the use of the new MBS item by providers, the share of surgeons' professional attendances that would be eligible for the new item, and growth in services under the baseline. While the estimates for Components 2 to 7 are certain as they are based on specified capped amounts, Components 2 and 5 are sensitive to the assumption that consultations with stakeholders would deliver policy settings that would be accommodated within the specified funding envelopes.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	-564.0	-571.8	-574.5	**-1,710.3**
Underlying cash balance	-	-564.0	-571.8	-574.5	**-1,710.3**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

Component 1 – Introduce a new ongoing MBS item for medical oncologists, radiation oncologists and cancer surgeons

- All medical oncologist and radiation oncologist services under items 105 and 116 relate to cancer patients and therefore would be eligible for the new MBS item.

- The proportion of professional attendance by surgeons that would be eligible for the new MBS item would be equal to the proportion of elective hospital admissions involving surgery for patients with a principal diagnosis of cancer in 2016-17 (approximately 15 per cent).
- The share of specialists bulk billing under the baseline would remain constant at their 2017-18 levels.
- All providers who bulk bill professional attendances for patients with a cancer diagnosis under items 105 and 116 under the baseline would continue to bulk bill under the policy proposal, using the more generous new MBS item in the policy case.
- The number of professional attendance claims paid in the baseline and under the proposal would grow in line with the overall projected growth in specialist services benefits payments.
- Additional services to be bulk billed under the proposal would come from two sources: some services which were not bulk billed under the baseline would be bulk billed under the proposal, and a provider behavioural response would result in some additional services under the proposal.
  - Some share of relevant specialists not bulk billing under the baseline would switch to bulk billing under the policy proposal given the more generous schedule fee.
    - All oncology specialists currently claiming under item 105 would bulk bill all patients with a cancer diagnosis under the policy. The current bulk-billing rate amongst oncology specialists for item 105 is 85 per cent.
    - Surgeons currently claiming under item 105 and oncology consultant physicians currently claiming under item 116 would increase their bulk-billing rates under the proposal to 85 and 80 per cent, respectively. This is based on analysis of current billing data which shows that the average current charge for these services is well below the proposed schedule fee.
  - There would be a provider behavioural response in the number of bulk-billed professional attendances as a result of the more generous new MBS item, equal to 5 per cent of the total baseline services, further increasing the number of services provided and bulk-billing rates.
    - For example, there may be occasions under the baseline where a specialist would not charge for all services provided out of concern for a patient's financial circumstances. Under the proposal, the ability to receive a higher fee than the baseline at no charge to the patient may mean a specialist makes more eligible claims under the MBS.

The fiscal and underlying cash balances for MBS expenses would be equal, due to the high prevalence of instant electronic rebate transfers at the point at which eligible services are rendered.

Components 2 and 5 – Work with stakeholders to provide relief from out-of-pocket costs for diagnostic scans and pathology tests

- Final policy settings agreed following consultations with stakeholders would be accommodated within the specified funding envelopes.

Methodology

Component 1

The additional administered expenses of this proposal are a result of:

- the increase in the schedule fees and the bulk-billing rate, holding the total volume of services at the baseline level

- the increased number of bulk-billed professional attendances as a result of the new MBS item.

The additional expenses due to the increase in the schedule fee and the bulk-billing rate were calculated by multiplying the level of services both eligible for and claimed under the proposal by the difference between the existing Medicare benefit paid for each current item and the proposed benefit payment for the new MBS item.

The additional expenses due to the increased number of bulk-billed professional attendances were calculated by multiplying the assumed increase in services by the benefit to be paid under the new MBS item.

The distribution of additional administered expenses between the Department of Health and the Department of Veterans' Affairs are constant over the period to 2029-30 and are based on their shares from the 2011-12 Budget measure *Diagnostic Imaging – reforms*. Administered expenditure is indexed by wage cost index 5.

The proposal would be expected to result in decreased expenditure under the Extended Medicare Safety Net as a consequence of the increase in bulk-billed services, which do not count towards a patient's Extended Medicare Safety Net. This decrease in administered expenditure is more than offset by the increase in the bulk-billed benefits. This direct fall in expenditure under the Extended Medicare Safety Net has been factored into the costing but is not separately reported.

Components 2 to 7

The financial implications of these components are equal to the specified capped funding amounts.

- The departmental expenses for Component 2 and 5 were based on the departmental to administered expense profile of Component 1.
- Components 3, 4, 6 and 7 consist of entirely administered expenses.

Component 8

Component 8 refers to current government policy, and as such would have a zero financial impact.

All components

All estimates have been rounded to the nearest $100,000.

Data sources

The Department of Health provided access to their Enterprise Data Warehouse and MBS data was extracted on 10 December 2018.

The Department of Finance provided the wage cost indexation parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Human Services provided the departmental costs per MBS item transaction as at the 2019 Pre-election Economic and Fiscal Outlook.

Australian Institute of Health and Welfare, 2017. *Cancer in Australia 2017*. [Online] Available at: https://www.aihw.gov.au/getmedia/3da1f3c2-30f0-4475-8aed-1f19f8e16d48/20066-cancer-2017.pdf.aspx?inline=true.

Australian Institute of Health and Welfare, 2018. *Admitted patient care 2016-17: Australian hospital statistics*. [Online] Available at https://www.aihw.gov.au/getmedia/acee86da-d98e-4286-85a4-52840836706f/aihw-hse-201.pdf.aspx?inline=true.

Commonwealth of Australia, 2011. *Budget 2011-12*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2018. *Budget 2018-19*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2019. *Pre-election Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.

Attachment A – Medicare cancer plan – Component 1 – Existing Medicare items on which the new item would be based

Category 1 - PROFESSIONAL ATTENDANCES

105

Group A3 - Specialist Attendances To Which No Other Item Applies

Professional attendance by a specialist in the practice of his or her specialty following referral of the patient to him or her- an attendance after the first in a single course of treatment, if that attendance is at consulting rooms or hospital, other than a service to which item 16404 applies

Fee: $43.65 **Benefit:** 75% = $32.75 85% = $37.15

(See para AN.0.70, TN.1.4 of explanatory notes to this Category)

Extended Medicare Safety Net Cap: $130.95

← Previous - Item 104

Next - Item 106 →

Category 1 - PROFESSIONAL ATTENDANCES

116

Group A4 - Consultant Physician Attendances To Which No Other Item Applies

Professional attendance at consulting rooms or hospital, by a consultant physician in the practice of his or her specialty (other than psychiatry) following referral of the patient to him or her by a referring practitioner-each attendance (other than a service to which item 119 applies) after the first in a single course of treatment

Fee: $76.65 **Benefit:** 75% = $57.50 85% = $65.20

(See para AN.0.70 of explanatory notes to this Category)

Extended Medicare Safety Net Cap: $229.95

← Previous - Item 114

Next - Item 117 →

Attachment B – Medicare cancer plan – financial implications

Table B1: Medicare cancer plan – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Component 1: Introduce a new ongoing Medicare Benefits Schedule item for medical oncologists, radiation oncologists and cancer surgeons					
Administered					
Department of Health	-	-94.5	-102.2	-110.5	***-307.1***
Department of Veterans' Affairs	-	-1.3	-1.4	-1.5	***-4.3***
Total – administered	***-***	***-95.8***	***-103.5***	***-112.1***	***-311.4***
Departmental					
Department of Health	-	-0.6	-0.6	-	***-1.2***
Department of Human Services	-	..	-0.1	-0.1	***-0.2***
Total – departmental	***-***	***-0.6***	***-0.7***	***-0.1***	***-1.4***
Total – Component 1	**-**	**-96.4**	**-104.2**	**-112.2**	**-312.8**
Component 2: Diagnostic imaging package					
Administered	-	-149.0	-149.1	-149.9	***-448.0***
Departmental	-	-1.0	-0.9	0.1	***-2.0***
Total – Component 2	**-**	**-150.0**	**-150.0**	**-150.0**	**-450.0**
Component 3: Introduce a standard for informed financial consent					
Administered	-	-5.0	-5.0	-	***-10.0***
Departmental	-	-	-	-	***-***
Total – Component 3	**-**	**-5.0**	**-5.0**	**-**	**-10.0**
Component 4: Support a National Partnership Agreement for cancer care services in public hospitals					
Administered	-	-125.0	-125.0	-125.0	***-375.0***
Departmental	-	-	-	-	***-***
Total – Component 4	**-**	**-125.0**	**-125.0**	**-125.0**	**-375.0**
Component 5: Pathology support package					
Administered	-	-49.7	-49.7	-50.0	***-149.3***
Departmental	-	-0.3.	-0.3	..	***-0.7***
Total – Component 5	**-**	**-50.0**	**-50.0**	**-50.0**	**-150.0**
Component 6: Provide funding to upgrade cancer centres					
Administered	-	-75.0	-75.0	-75.0	***-225.0***
Departmental	-	-	-	-	***-***
Total – Component 6	**-**	**-75.0**	**-75.0**	**-75.0**	**-225.0**
Component 7: Invest in targeted services and support for cancer patients					
Administered	-	-62.5	-62.5	-62.5	***-187.5***
Departmental	-	-	-	-	***-***
Total – Component 7	**-**	**-62.5**	**-62.5**	**-62.5**	**-187.5**

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Component 8: Guarantee that every drug recommended by independent experts will be listed on the Pharmaceutical Benefits Scheme					
Administered	-	-	-	-	-
Departmental	-	-	-	-	-
Total – Component 8	**-**	**-**	**-**	**-**	**-**
Total – expenses	**-**	**-564.0**	**-571.8**	**-574.5**	**-1,710.3**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

More access to magnetic resonance imaging units (MRIs)	
Party:	Australian Labor Party
Summary of proposal: The proposal would grant full Medicare eligibility to 20 MRI units. Granting full Medicare eligibility means patients can receive a rebate for any MRI item on the Medicare Benefits Schedule (MBS). Ten units would come into effect from 1 July 2019 and 10 units from 1 July 2020. Up to four of these units would currently be 'partially eligible' for MBS rebates (meaning a patient can receive a rebate for only some specific MRI items on the MBS) and be upgraded to full Medicare eligibility. At least half of the 20 units would be located within public hospitals.	

Costing overview

The proposal would be expected to decrease the fiscal balance by $121.6 million and the underlying cash balance by $120.4 million over the 2019-20 Budget forward estimates period. In fiscal balance terms, this impact reflects an increase in administered expenses of $121.4 million and an increase in departmental expenses of $0.2 million.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-17.1	-34.1	-34.6	-35.8	**-121.6**
Underlying cash balance	-16.5	-33.6	-34.6	-35.7	**-120.4**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

Departmental expenses reflect the cost of delivering the proposal and processing the additional number of MRI services, which increase as the number of eligible MRI units increase.

The proposal has slightly different impacts on the fiscal and underlying cash balances which reflect differences between when appointments are held and subsidies are paid.

The financial implications of this proposal are sensitive to the level and composition of services provided by the newly eligible machines and the Medicare rebates paid for MRI items. Historical data indicate that the average level of MBS rebates per MRI unit is higher for units in metropolitan areas than rural areas, and higher for units outside hospitals than inside hospitals. The financial implications in this costing have been calculated assuming 70 per cent of the units would be in metropolitan locations and 30 per cent in regional locations. If in practice there were more regional units, the estimated financial implications of the proposal would be lower than estimated.

The financial implications in 2019-20 are sensitive to the assumption that newly eligible machines can be identified reasonably quickly and therefore rebates would be paid from the commencement of the proposal.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- Newly eligible units would become eligible in time to pay rebates on or shortly after the proposal's start date.
  - The Department of Health recently ran an invitation-to-apply process and received a large number of applications, including from operators of existing MRI units, so additional units from these or a subsequent process could be selected reasonably quickly.
- Ten units out of the 20 would be located within public hospitals. Fourteen of the 20 units would be in metropolitan areas.
- The average Medicare benefits payable per newly eligible MRI unit would be similar to the average benefits payable per currently eligible unit of the same type and projected to increase in line with historical trends.
- The shares of total administered expenses between the Department of Health and the Department of Veterans' Affairs would be constant over the period to 2029-30, and equal to their shares from the 2019-20 Budget measure *Guaranteeing Medicare – improved access to diagnostic imaging*.
- Four upgrades would be supported under this proposal. Two of the four upgrades from partially eligible units would occur on 1 July 2019 and two on 1 July 2020.

Methodology

Total administered expenses under the proposal are the sum of administered expenses by unit type (for example, new fully eligible metropolitan units outside hospitals, upgrades from partial eligibility in metropolitan hospitals, and so on).

Expenses by unit type were calculated by applying the proposal specifications and assumptions outlined above to generate the characteristics of the 20 new units, and multiplying the numbers of units by the average annual Medicare benefits payable per current eligible unit of that type. Costs were not indexed as MRI items are not indexed under the baseline in the MBS.

Departmental expenses for the Department of Human Services to administer the additional MBS services have been calculated based on the 2019-20 Budget measure. Consistent with the 2019-20 Budget measure, departmental expenses for the Department of Health to administer the proposal are not expected to be significant and have not been included.

All estimates have been rounded to the nearest $100,000.

Data sources

The Department of Health provided information on historical average Medicare benefits payable by the different types of MRI units and provided the costing models for the 2018-19 Mid-Year Economic and Fiscal Outlook measure *Guaranteeing Medicare – expansion of Medicare eligibility for magnetic resonance imaging* and the 2019-20 Budget measure *Guaranteeing Medicare – improved access to diagnostic imaging*.

The Department of Health, 2019. *Expansion of Medicare-eligible magnetic resonance imaging (MRI) MRI – ITA – 2018* [Online] Available at: http://www.health.gov.au/internet/main/publishing.nsf/Content/diagnosticimaging-expansion-of-medicare-eligible-magnetic-resonance-imaging [Accessed: 31.05.2019].

Attachment A – More access to magnetic resonance imaging units (MRIs) – financial implications

Table A1: More access to magnetic resonance imaging units (MRIs) – Fiscal balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
Administered					
Department of Health	*-17.0*	*-33.8*	*-34.3*	*-35.5*	***-120.6***
Department of Veterans' Affairs	*-0.1*	*-0.2*	*-0.2*	*-0.2*	***-0.8***
Total – administered	***-17.1***	***-34.0***	***-34.5***	***-35.7***	***-121.4***
Departmental					
Department of Human Services	*..*	*-0.1*	*-0.1*	*-0.1*	***-0.2***
Total – departmental	***..***	***-0.1***	***-0.1***	***-0.1***	***-0.2***
Total – expenses	**-17.1**	**-34.1**	**-34.6**	**-35.8**	**-121.6**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

Table A2: More access to magnetic resonance imaging units (MRIs) – Underlying cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
Administered					
Department of Health	*-16.4*	*-33.3*	*-34.3*	*-35.4*	***-119.4***
Department of Veterans' Affairs	*-0.1*	*-0.2*	*-0.2*	*-0.2*	***-0.8***
Total – administered	***-16.5***	***-33.5***	***-34.5***	***-35.6***	***-120.2***
Departmental					
Department of Human Services	*..*	*-0.1*	*-0.1*	*-0.1*	***-0.2***
Total – departmental	***..***	***-0.1***	***-0.1***	***-0.1***	***-0.2***
Total – expenses	**-16.5**	**-33.6**	**-34.6**	**-35.7**	**-120.4**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

Parliamentary
Budget Office

Policy costing

Pensioner dental plan	
Party:	Australian Labor Party
Summary of proposal: This proposal would provide public dental services to Commonwealth seniors health card, pensioner concession card and health care card holders aged 65 years and over. Funding for each eligible individual would be capped at $1,000 over two consecutive calendar years and be administered consistent with the Child Dental Benefits Schedule. This proposal would commence on 1 July 2020.	

Costing overview

This proposal would be expected to decrease the fiscal balance by $2,436 million and the underlying cash balance by $2,421 million over the 2019-20 Budget forward estimates period. In fiscal balance terms, this impact reflects an increase in administered expenses of $2,316 million and an increase in departmental expenses of $120 million.

The proposal would be expected to have an impact which extends beyond the 2019-20 Budget forward estimates period. Detailed financial implications for the proposal over the period to 2029-30 are included in Attachment A.

Departmental expenses reflect the cost of delivering the proposal and processing subsidies, which increase as eligible cardholders take up dental services. Differences between the fiscal and underlying cash balances reflect differences between when appointments are held and subsidies are paid to dental care providers.

The financial implications of the proposal are highly sensitive to assumptions about the projected number of eligible cardholders, the expected take-up of the proposal, the demand for services following the introduction of subsidised dental care for the eligible cohort, and the type and cost of dental services provided.

The proposal may result in changes to products offered by private health insurers and consequently insurance rebates provided by the Commonwealth Government. This has not been factored into this costing due to the high degree of uncertainty associated with this effect.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	-674	-870	-891	**-2,436**
Underlying cash balance	-	-664	-866	-891	**-2,421**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing the proposal.

- Take-up of the expanded scheme would be 65 per cent of the eligible cohort, based on current dental attendance rates for the Australian population and data for the Child Dental Benefits Schedule.
- On average, 80 per cent of costs would be incurred in the first year of treatment, with the remainder incurred in the second year.
- The average total subsidy amounts per participant would be $820 (growing in line with the consumer price index) over each two-year period.
  - This average is based on historical use and prices of services that would be used in the course of routine dental care, adjusted to allow for those with low, medium and high dental care needs.
  - Around 80 per cent of users would be either low or medium users.
- All eligible individuals who choose to visit a dentist would be able to see a dentist, and there would be no restrictions on how many dentists a patient can visit for treatment services. Eligible individuals would use either public or private providers.
- Cardholders with more than one card would use the same number of overall services as recipients holding one card.
- There would be no change to products offered by private health insurers as a result of this proposal.

Methodology

Administered expenses were calculated by multiplying the projected number of eligible cardholders by the assumed take-up rate and the assumed annual dental subsidy amount.

The Department of Social Services provided historical data on the number of cardholders per potential combinations of the three card types for 2016-17 and 2017-18 for persons aged 65 years and older. The PBO has projected these over the period to 2029-30, using projections of the number of age pension recipients.

Projections of cardholder recipient numbers were also adjusted to account for people holding both a Commonwealth seniors health card and a pensioner concession card.[1]

The total subsidy amount per participant for dental services was calculated as a weighted average from likely participant profiles over each two-year period, as described above. This representative cost was applied to each of the eligible cardholders and grown by the consumer price index over the period to 2029-30. This was based on historical and projected prices for routine and therapeutic care, as well as the number of dental visits and types of services that these age groups are likely to receive.

Ongoing departmental expenses for administering the program were grown by the appropriate wage cost index net of the efficiency dividend, and were based on the costs of administering the Child Dental Benefits Schedule. Departmental expenses in the first year of the proposal include additional funding for the Department of Human Services to expand the scope of the Child Dental Benefits Schedule to accommodate proposed additional cohorts.

Estimates have been rounded to the nearest $1 million.

Data sources

The Department of Finance provided the consumer price index, wage cost index and efficiency dividend data as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Health provided data on historical and projected costs of the Child Dental Benefits Schedule.

The Department of Human Services provided departmental estimates for the Child Dental Benefits Schedule.

The Department of Social Services provided cardholder numbers for the Commonwealth seniors health card, pensioner concession card, health care card and any combination thereof; and Age Pension customer projections as at the 2019 Pre-election Economic and Fiscal Outlook.

Australian Bureau of Statistics, *Australian Demographic Statistics, June 2018,* ABS Cat. No. 3101.0, 20 December 2018.

Australian Bureau of Statistics, *Life Tables, States, Territories and Australia, 2015-2017,* ABS Cat. No. 3302.0.55.001, 30 October 2018.

Australian Dental Association, 2016. *Dental Fee Survey 2016*.

Australian Institute of Health and Welfare, 2006. *Practice activity patterns of dentists in Australia.*

Australian Institute of Health and Welfare, 2010. *Age and the costs of dental care.*

Australian Institute of Health and Welfare, 2016. *Oral health and dental care in Australia 2015.*

Choice, 2017. *What's the average cost of a trip to the dentist?* [Online] Available at: https://www.choice.com.au/health-and-body/dentists-and-dental-care/dental-treatment/articles/dental-fees#average-cost [Accessed 31.01.2019].

[1] On 1 January 2017, the assets test for pensioners changed, making some pensioners ineligible for the Age Pension (and hence the pensioner concession card) and they became eligible for the Commonwealth seniors health card. On 9 October 2017, their pensions were reinstated (and hence their pensioner concession card). Access to the Commonwealth seniors health card has been continued to enable continued eligibility for the Energy Supplement.

Department of Social Services, 2019. *DSS Payment Demographic Data.* [Online] Available at: https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details?q=dss [Accessed 11.02.2019].

Grattan Institute, 2019. *Filling the gap – A universal dental scheme for Australia.* [Online] Available at: https://grattan.edu.au/wp-content/uploads/2019/03/915-Filling-the-gap-A-universal-dental-scheme-for-Australia.pdf [Accessed 18 March 2019].

Private Health Insurance Ombudsman, 2015. *Average dental charges 2015*. [Online] Available at: http://www.privatehealth.gov.au/healthinsurance/whatiscovered/averagedental.htm [Accessed 31 January 2019].

Attachment A – Pensioner dental plan – financial implications

Table A1: Pensioner dental plan – Fiscal balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Expenses													
Administered													
Persons holding a Commonwealth seniors health card only	-	*-66*	*-86*	*-88*	*-90*	*-93*	*-95*	*-98*	*-100*	*-103*	*-105*	***-240***	***-923***
Persons holding a pensioner concession card only	-	*-552*	*-713*	*-731*	*-749*	*-773*	*-788*	*-816*	*-828*	*-860*	*-874*	***-1,996***	***-7,684***
Persons holding a health care card only	-	*-4*	*-5*	*-5*	*-5*	*-5*	*-5*	*-6*	*-6*	*-6*	*-6*	***-14***	***-53***
Persons holding both a Commonwealth seniors health card and a pensioner concession card	-	*-15*	*-17*	*-17*	*-16*	*-16*	*-15*	*-15*	*-14*	*-13*	*-12*	***-50***	***-151***
Persons holding both a Commonwealth seniors health card and a health care card	-	*-2*	*-3*	*-3*	*-3*	*-3*	*-3*	*-3*	*-3*	*-3*	*-3*	***-7***	***-28***
Persons holding both a pensioner concession card and a health care card	-	*-3*	*-3*	*-3*	*-4*	*-4*	*-4*	*-4*	*-4*	*-4*	*-4*	***-9***	***-36***
Total – administered	**-**	***-642***	***-827***	***-847***	***-867***	***-894***	***-910***	***-942***	***-955***	***-989***	***-1,004***	***-2,316***	***-8,875***
Departmental													
Department of Human Services	-	*-30*	*-41*	*-42*	*-43*	*-44*	*-44*	*-45*	*-46*	*-47*	*-47*	***-114***	***-430***
Department of Health	-	*-2*	*-2*	*-2*	*-2*	*-2*	*-2*	*-2*	*-2*	*-2*	*-2*	***-6***	***-21***
Total – departmental	**-**	***-32***	***-43***	***-44***	***-45***	***-46***	***-46***	***-47***	***-48***	***-49***	***-49***	***-120***	***-451***
Total – expenses	**-**	**-674**	**-870**	**-891**	**-912**	**-940**	**-956**	**-989**	**-1,003**	**-1,038**	**-1,053**	**-2,436**	**-9,326**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Table A2: Pensioner dental plan – Underlying cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Payments													
Administered													
Persons holding a Commonwealth seniors health card only	-	*-65*	*-85*	*-88*	*-90*	*-93*	*-95*	*-98*	*-99*	*-103*	*-105*	***-238***	***-921***
Persons holding a pensioner concession card only	-	*-543*	*-710*	*-731*	*-749*	*-772*	*-788*	*-815*	*-828*	*-859*	*-874*	***-1,984***	***-7,669***
Persons holding a health care card only	-	*-4*	*-5*	*-5*	*-5*	*-5*	*-5*	*-6*	*-6*	*-6*	*-6*	***-14***	***-52***
Persons holding both a Commonwealth seniors health card and a pensioner concession card	-	*-15*	*-17*	*-17*	*-16*	*-16*	*-15*	*-15*	*-14*	*-13*	*-12*	***-49***	***-151***
Persons holding both a Commonwealth seniors health card and a health care card	-	*-2*	*-3*	*-3*	*-3*	*-3*	*-3*	*-3*	*-3*	*-3*	*-3*	***-7***	***-28***
Persons holding both a pensioner concession card and a health care card	-	*-3*	*-3*	*-3*	*-4*	*-4*	*-4*	*-4*	*-4*	*-4*	*-4*	***-9***	***-36***
Total – administered	-	***-632***	***-823***	***-847***	***-867***	***-893***	***-910***	***-941***	***-954***	***-988***	***-1,004***	***-2,301***	***-8,857***
Departmental													
Department of Human Services	-	*-30*	*-41*	*-42*	*-43*	*-44*	*-44*	*-45*	*-46*	*-47*	*-47*	***-114***	***-430***
Department of Health	-	*-2*	*-2*	*-2*	*-2*	*-2*	*-2*	*-2*	*-2*	*-2*	*-2*	***-6***	***-21***
Total – departmental	-	***-32***	***-43***	***-44***	***-45***	***-46***	***-46***	***-47***	***-48***	***-49***	***-49***	***-120***	***-451***
Total – payments	-	**-664**	**-866**	**-891**	**-912**	**-939**	**-956**	**-988**	**-1,002**	**-1,037**	**-1,053**	**-2,421**	**-9,308**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Removing junk policies from private health insurance	
Party:	Australian Labor Party
Summary of proposal: The proposal would remove the private health insurance (PHI) rebate from policies that cover public hospital treatment only. The proposal would have effect from 1 July 2019.	

Costing overview

The proposal would be expected to increase the fiscal balance by $126 million and the underlying cash balance by $115 million over the 2019-20 Budget forward estimates period. This proposal would have no material impact on revenue associated with the Medicare levy surcharge.

These impacts are primarily due to a decrease in PHI rebate expenses, reflecting the combined effect of the removal of the rebate for recipients affected by the proposal and an assumed decrease in the number of people using PHI from the resultant higher out-of-pocket cost.

The difference between the fiscal and underlying cash balances is due to the timing of when the PHI rebate is incurred and when it is paid through the Australian Taxation Office (ATO) (which is in the next income year, as individuals file their tax returns).

The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

The financial implications of this costing are sensitive to changes in health insurance premiums, the consumer price index, and behavioural responses to changes in the cost of PHI. Broader effects, including potential flow-on impacts on the public health system, have not been included in this costing as these effects are uncertain.

Table 1: Financial implications ($m)[a][b]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	29	31	32	34	**126**
Underlying cash balance	27	28	29	31	**115**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- Changes to the PHI rebate have no effect on the gross cost of PHI premiums.
- There would be no flow-on effect to public hospital expenses as a result of individuals ceasing their PHI policies.
- The majority of PHI rebate expenses administered by the Department of Health would be delivered in the same financial year in which they accrue, with a small proportion delivered in the following financial year. A proportion of the PHI rebate is paid through the ATO to individuals who opt to claim the PHI rebate through their tax returns, with these claims paid in the year following the year in which the PHI premiums are paid.
- There would be no impact on the Medicare levy surcharge.
  - All affected PHI policy holders whose incomes are below the Medicare levy surcharge threshold would cease their PHI policies, and the proportion of this cohort with PHI cover would be constant over time.
  - Other affected PHI policy holders would shift to different PHI policies with lower premium co-payments.

Methodology

The value of the PHI rebate for affected policies was estimated from statistics provided by the Department of Health.

PHI demand elasticities were applied to the percentage changes in the net PHI rebate costs to estimate the behavioural response under the proposal.

The proposal's financial implications were calculated by subtracting the total PHI rebate expense estimates under the baseline scenario from the total under the proposal.

Timing effects have been included in this costing to account for the timing of tax collections and the payment of the PHI rebate.

All estimates were rounded to the nearest $1 million.

Data sources

The Department of Health provided PHI rebate expenditure and the estimated number of policies over the period 2017-18 to 2020-21.

De-identified personal income tax and superannuation contribution unit record data for 2016-17 was provided by the ATO.

Commonwealth of Australia, 2019. *2019-20 Budget*, Canberra: Commonwealth of Australia.

Australian Prudential Regulation Authority, 2018. *Private Health Insurance Quarterly Statistics*, December 2018 [Online] Available at https://www.apra.gov.au/sites/default/files/private_health_insurance_quarterly_statistics_december_2018.pdf [Accessed 05.04.2019].

Australian Prudential Regulation Authority, 2018. *Private Health Insurance Membership and Coverage*, December 2018 [Online] Available at https://www.apra.gov.au/publications/private-health-insurance-membership-and-coverage [Accessed 05.04.2019].

Cheng, T. 2011. *Measuring the effects of removing subsidies for private insurance on public expenditure for health care*. Melbourne Institute Working Paper 16/11.

Ellis, R. and Savage, E. 2008. *Run for cover now or later? The impact of premiums, threats and deadlines on private health insurance in Australia*. International Journal of Health Care Finance and Economics. Vol 8 pages 257-277.

Robson, A., Ergas, H. and Paolucci, F. 2011*. The Analytics of the Australian Private Health Insurance Rebate and the Medicare Levy Surcharge*. Agenda. Vol 18, no 2.

Parliamentary Budget Office

Policy costing

1,200 additional Department of Human Services staff	
Party:	Australian Labor Party
Summary of proposal: This proposal would provide the Department of Human Services with additional funding for 1,200 Australian Public Service (APS) Level 4 staff on a full-time, ongoing basis. The additional staff would be employed over four years, as follows, and maintained over the medium term to 2029-30: • 250 extra on 1 July 2019 • 350 extra on 1 July 2020 • 300 extra on 1 July 2021 • 300 extra on 1 July 2022.	

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $339.3 million over the 2019-20 Budget forward estimates period. This impact entirely reflects an increase in departmental expenses over this period.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

The estimates in this costing are relatively certain as they are based on specified numbers of new staff and the average costs for employing each staff member at the specified staffing classification. The average costs for each staff member, over the medium term in particular, are moderately sensitive to assumptions about wage cost drivers such as the efficiency dividend and indexation parameters.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-28.6	-68.6	-103.4	-138.7	**-339.3**
Underlying cash balance	-28.6	-68.6	-103.4	-138.7	**-339.3**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The financial implications of the proposal were calculated using the standard departmental costing template provided by the Department of Finance over the 2019-20 Budget forward estimates period.

This costing template was extended beyond the forward estimates period by the Parliamentary Budget Office using projections of the relevant efficiency dividend and indexation parameters.

Estimates were rounded to the nearest $100,000.

Data sources

Department of Finance provided indexation parameters as at the 2019-20 Budget.

Attachment A – 1,200 additional Department of Human Services staff – financial implications

Table A1: 1,200 additional Department of Human Services staff – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Total departmental expenses	-28.6	-68.6	-103.4	-138.7	**-339.3**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary Budget Office

Policy costing

Labor's plan for carers and people with disability	
Party:	Australian Labor Party

Summary of proposal:

This proposal would provide the following specified amounts to improve services and support for carers, and invest in making Australia more accessible and inclusive.

- Component 1: $62,500 per year ($250,000 over four years) for Carers Australia and National Carers Week on an ongoing basis.
- Component 2: $125,000 per year ($500,000 over four years) for the National Disability Awards on an ongoing basis.
- Component 3: $10 million over four years for disability representative organisations, to boost advocacy.
- Component 4: $2 million over four years for disability sport.

Components 1 to 4 will be provided from 2019-20.

- Component 5: $4 million for audio description at the ABC and SBS, provided in 2019-20.
- Component 6: $66 million to boost carer respite, provided over three years from 2020-21.
- Component 7: $2 million for inclusive publishing.
- Component 8: $7 million for 25 extra Centrelink carer specialists. Funding for this commitment is covered under the commitment *1,200 additional Department of Human Services (DHS) staff* (PER379).

The proposal would also include the following components:

- Component 9: Allow carer allowance recipients to meet their mutual obligation requirements for other payments by applying for part-time work.
- Component 10: Undertake a two-year review of the Integrated Carer Support Service model. Costs of the review would be absorbed within existing resources.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $84.8 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of $78.6 million and an increase in departmental expenses of $6.2 million.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have a small ongoing impact beyond the 2019-20 Budget forward estimates period arising from Components 1 and 2.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-8.2	-26.2	-25.2	-25.2	**-84.8**
Underlying cash balance	-8.2	-26.2	-25.2	-25.2	**-84.8**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Attachment A – Labor's plan for carers and people with disability

Table A1: Labor's plan for carers and people with disability – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
Administered					
Component 1: Funding for Carers Australia and National Carers Week	*-0.1*	*-0.1*	*-0.1*	*-0.1*	***-0.3***
Component 2: Funding for the National Disability Awards	*-0.1*	*-0.1*	*-0.1*	*-0.1*	***-0.5***
Component 3: Disability representative organisations	*-2.5*	*-2.5*	*-2.5*	*-2.5*	***-10.0***
Component 4: Disability sport	*-0.5*	*-0.5*	*-0.5*	*-0.5*	***-2.0***
Component 5: Audio descriptions at the ABS and SBS	-	-	-	-	**-**
Component 6: Carer respite	-	*-20.9*	*-21.4*	*-21.4*	***-63.8***
Component 7: Inclusive publishing	*-1.0*	*-1.0*	-	-	***-2.0***
Component 8: Extra Centrelink carer specialists	-	-	-	-	**-**
Component 9: Allow carer allowance recipients to meet mutual obligations	..	..	..	..	**..**
Component 10: Undertake a two-year review of the Integrated Carer Support Service model	-	-	-	-	**-**
Total – administered	***-4.2***	***-25.1***	***-24.6***	***-24.6***	***-78.6***
Departmental					
Component 5: Audio descriptions at the ABS and SBS	*-4.0*	-	-	-	***-4.0***
Component 6: Carer respite	-	*-1.1*	*-0.6*	*-0.6*	***-2.2***
Total – departmental	***-4.0***	***-1.1***	***-0.6***	***-0.6***	***-6.2***
Total – expenses	**-8.2**	**-26.2**	**-25.2**	**-25.2**	**-84.8**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary Budget Office

Policy costing

National Disability Insurance Scheme (NDIS) Future Fund	
Party:	Australian Labor Party
Summary of proposal: This proposal would invest $1.6 billion in a new fund managed by the Future Fund Board of Guardians mandating a target rate of return equivalent to the consumer price index (CPI) plus 2.0 to 3.0 per cent per year, net of investment fees. The principal and net earnings would be drawn down to fund future National Disability Insurance Scheme expenses in the event that these exceeded the level budgeted for. Unspent earnings would be reinvested into the fund. The proposal would have effect from 1 July 2019.	

Costing overview

This proposal would be expected to increase the fiscal balance by $153 million and the underlying cash balance by $155 million over the 2019-20 Budget forward estimates period. There would be a decrease in the headline cash balance by $1,706 million over the same period. On a fiscal balance basis, this impact reflects an increase in public debt interest (PDI) costs of $108 million associated with increased Commonwealth Government borrowing to fund the initial $1.6 billion investment, and an increase in departmental expenses of $32 million. These increases in expenditure are more than offset by an increase of $293 million in cash earnings from the fund.

A breakdown of the financial implications from 2019-20 to 2029-30 is provided at Attachment A. This proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

Consistent with Parliamentary Budget Office (PBO) Guidance 02/2015, PDI expense impacts have been included in this costing because this proposal involves the recognition of financial assets and liabilities.

The implications for the fiscal balance are marginally different from the underlying cash balance due to timing differences in the PDI expense impacts. The headline cash balance differs from the fiscal and underlying cash balances due to the initial capital injection into the proposed fund, and the treatment of capital gains, which do not increase the fiscal and underlying cash balances, but do increase the headline cash balance when they are recognised.

The initial capital injection is specified, and therefore certain, and management costs for the fund are relatively certain. The net financial implications of the proposal are very sensitive to the projected rates of return, and the timing and magnitude of future National Disability Insurance Scheme expenses in excess of those budgeted for. Situations of persistent and sizeable upward revisions in the National Disability Insurance Scheme expenses could make the required rate of return difficult to achieve.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	14	40	45	54	**153**
Underlying cash balance	15	41	45	54	**155**
Headline cash balance	-1,614	-29	-31	-32	**-1,706**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- Required legislation, including investment mandates, would be completed by the start date of the proposal.
- The contributions made to the proposed fund would increase the Commonwealth Government's borrowing requirement.
- The initial capital committed for the proposed fund would be gradually drawn down and invested over the 2019-20 financial year.
- The proposed fund would have management fees as a share of funds under management comparable to but slightly higher than those of the Medical Research Future Fund.
  - This reflects the higher rate of return required for the new fund.
- Actual National Disability Insurance Scheme expenses would be equal to those budgeted for each year. While principal and net earnings would be available for draw down to fund future National Disability Insurance Scheme expenses over the costing horizon, no drawdowns are projected.
  - In addition, should the National Disability Insurance Scheme expenses exceed budget amounts at some point in the future and, at that point in time, the Commonwealth Government's cost of borrowing be lower than the expected rate of return for the new fund, it may be appropriate to borrow to fund the overspend rather than draw down from the fund.
- The specified rate of return for the proposal, averaging 5.4 per cent annually over the period to 2029-30, is achievable.
  - A proportion of the proposed fund would be invested in relatively liquid assets so that they could be readily made available for draw down.
- The proportion of cash earnings and capital gains from the proposed fund would be consistent with the 2019-20 Budget assumption for the Medical Research Future Fund of 90 per cent and 10 per cent respectively.
  - Capital gains would be recognised in each year.

Methodology

The initial capital under the proposal was as specified. Total annual earnings were estimated by applying the target rate of return to the opening balance of the fund in each year. Total earnings less management costs were reinvested as per the specification, increasing the asset base for the subsequent years. The revenue impact on the fiscal and underlying cash balances does not include the estimated 10 per cent of returns accruing as capital gains. The impact on the headline cash balance shows the full return to the fund.

Expenses incurred by the Future Fund Board of Guardians for the direct costs of managing the fund were estimated based on the size of the fund and estimated management fees.

PDI expenses were estimated based on the total impact of the proposal.

All estimates have been rounded to the nearest $1 million.

Data sources

The Department of Finance provided the 2019-20 Budget Medical Research Future Fund model.

The Treasury provided the 2019 Pre-election Economic and Fiscal Outlook economic parameters.

Attachment A – National Disability Insurance Scheme (NDIS) Future Fund – financial implications

Table A1: National Disability Insurance Scheme (NDIS) Future Fund – Fiscal balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Revenue													
Total – revenue	**36**	**77**	**84**	**95**	**104**	**114**	**125**	**137**	**150**	**164**	**180**	**293**	**1,268**
Expenses													
Total – departmental expenses	**-7**	**-7**	**-8**	**-9**	**-10**	**-11**	**-12**	**-13**	**-14**	**-15**	**-17**	**-32**	**-122**
Total (excluding PDI)	**29**	**70**	**76**	**86**	**94**	**103**	**113**	**124**	**136**	**149**	**163**	**261**	**1,146**
PDI impacts	**-15**	**-30**	**-31**	**-32**	**-32**	**-34**	**-35**	**-36**	**-38**	**-39**	**-84**	**-108**	**-406**
Total (including PDI)	**14**	**40**	**45**	**54**	**62**	**69**	**78**	**88**	**98**	**110**	**79**	**153**	**740**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

Table A2: National Disability Insurance Scheme (NDIS) Future Fund – Underlying cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Receipts													
Total – receipts	**36**	**77**	**84**	**95**	**104**	**114**	**125**	**137**	**150**	**164**	**180**	**293**	**1,268**
Payments													
Total – departmental payments	**-7**	**-7**	**-8**	**-9**	**-10**	**-11**	**-12**	**-13**	**-14**	**-15**	**-17**	**-32**	**-122**
Total (excluding PDI)	**29**	**70**	**76**	**86**	**94**	**103**	**113**	**124**	**136**	**149**	**163**	**261**	**1,146**
PDI impacts	**-14**	**-29**	**-31**	**-32**	**-32**	**-33**	**-35**	**-36**	**-38**	**-39**	**-81**	**-106**	**-401**
Total (including PDI)	**15**	**41**	**45**	**54**	**62**	**70**	**78**	**88**	**98**	**110**	**82**	**155**	**745**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Table A3: National Disability Insurance Scheme (NDIS) Future Fund – Headline cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Receipts													
Total – receipts	**40**	**86**	**94**	**106**	**116**	**127**	**139**	**152**	**167**	**182**	**200**	**326**	**1,409**
Payments													
Administered													
Initial fund	*-1,600*	-	-	-	-	-	-	-	-	-	-	***-1,600***	***-1,600***
Reinvestment	*-33*	*-79*	*-86*	*-97*	*-106*	*-116*	*-127*	*-139*	*-153*	*-167*	*-183*	***-294***	***-1,287***
Total – administered	***-1,633***	***-79***	***-86***	***-97***	***-106***	***-116***	***-127***	***-139***	***-153***	***-167***	***-183***	***-1,894***	***-2,887***
Total – departmental	***-7***	***-7***	***-8***	***-9***	***-10***	***-11***	***-12***	***-13***	***-14***	***-15***	***-17***	***-32***	***-122***
Total – payments	**-1,640**	**-86**	**-94**	**-106**	**-116**	**-127**	**-139**	**-152**	**-167**	**-182**	**-200**	**-1,926**	**-3,009**
Total (excluding PDI)	**-1,600**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-1,600**	**-1,600**
PDI impacts	**-14**	**-29**	**-31**	**-32**	**-32**	**-33**	**-35**	**-36**	**-38**	**-39**	**-81**	**-106**	**-401**
Total (including PDI)	**-1,614**	**-29**	**-31**	**-32**	**-32**	**-33**	**-35**	**-36**	**-38**	**-39**	**-81**	**-1,706**	**-2,001**

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary
Budget Office

Policy costing

Reversing unfair Department of Social Services (DSS) measures and age pension cuts	
Party:	Australian Labor Party

Summary of proposal:

This proposal has four components.

- Component 1: Remove the one-week waiting period from all working age payments (part of the *Social Services Legislation Amendment Act 2017*). This would affect the following payments:
  - Jobseeker Payment
  - Newstart Allowance
  - Parenting Partnered and/or Single Allowance
  - Sickness Allowance
  - Youth Allowance (other).
- Component 2: Restart the indexation of eligibility thresholds under the *Social Services Legislation Amendment Act 2017*.
- Component 3: Not proceed with Schedules 1, 2 and 4 of the Social Services Legislation Amendment (Payment Integrity) Bill 2017.
  - Schedule 1: Enhanced residency requirements for pensioners
  - Schedule 2: Pension supplement – Stopping the payment of pension supplement after six weeks overseas
  - Schedule 4: Liquid assets test waiting period.
- Component 4: Reverse the following three measures from the Social Services Legislation Amendment (Better Targeting Student Payments) Bill 2017.
  - Schedule 1: Relocation scholarship payment
  - Schedule 2: Education entry payment
  - Schedule 3: Pensioner education supplement.

The proposal would have effect from 1 July 2019.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $997.0 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of $1,019.8 million, partially offset by a decrease in departmental expenses of $16.2 million and an increase in revenue of $6.6 million over this period. A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A.

The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

The financial implications of the proposal are sensitive to changes in the number of persons receiving government payments who would be affected by the proposal. The estimates are also sensitive to assumptions about changes in the relevant payment indexation rates.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-192.4	-239.6	-270.5	-295.4	**-997.0**
Underlying cash balance	-192.4	-239.6	-270.5	-295.4	**-997.0**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- The effect of the 2014-15 Budget measure *Apply the One-Week Ordinary Waiting Period to all Working Age Payments* on the new Jobseeker Payment (introduced in the 2017-18 Budget measure *Working Age Payments Reforms*) is the same as what the combined effect would have been for Newstart Allowance and Sickness Allowance.
- The eligibility threshold for student payments would be indexed on 1 January each year consistent with the existing indexation arrangements.
- Schedule 1, Schedule 2 and Schedule 4 of the Social Services Legislation Amendment (Payment Integrity) Bill 2017 would still be unlegislated as at the start of the proposal (1 July 2019).
- With respect to Schedule 1 and Schedule 2 of the Social Services Legislation Amendment (Payment Integrity) Bill 2017 there would be no material change in migration levels.

Methodology

Component 1: Removing the one-week waiting period for all working age payments

Administered expense impacts are based on DSS's model for the 2014-15 Budget measure, updated for parameters and policy settings as at the 2019 Pre-election Economic and Fiscal Outlook, including the commencement of Jobseeker Payment, and the cessation of Newstart and Sickness Allowances.

Component 2: Restart the indexation of eligibility thresholds for payments

Administered expense impacts for DSS payment recipients were calculated using the Policy Evaluation Model. This model is based on unit record administrative data of income support recipients. The financial implications represent the difference between the total financial implications under the proposal and the baseline.

Increased tax revenue as a result of increased taxable support payments was included in the costing.

Component 3: Not proceed with Schedules 1, 2 and 4 of the Social Services Legislation Amendment (Payment Integrity) Bill

Administered and departmental expense impacts over the 2019-20 Budget forward estimates period are based on costing models for the relevant measures obtained from Commonwealth agencies.

Component 4: Reverse three measures from the Social Services Legislation Amendment (Better Targeting Student Payments) Bill 2017

Administered expense impacts over the 2019-20 Budget forward estimates period are based on DSS models for the corresponding 2017-18 Budget measures. These estimates were updated for paramaters as at the 2019-20 Budget.

All components

All estimates in this costing have been rounded to the nearest $100,000, except for administered expenses for Component 1, which have been rounded to the nearest $1 million.

Data sources

The Department of Social Services provided the Policy Evaluation Model as at the 2018-19 Mid-year Economic and Fiscal Outlook.

Commonwealth of Australia, 2017. *2017-18 Budget*, Canberra: Commonwealth of Australia.

The Department of Social Services provided their 2017-18 Budget costings for the measures contained in Schedules 1, 2 and 3 of the Social Services Legislation Amendment (Better Targeting Student Payments) Bill.

The Treasury provided payment population and indexation projections as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Social Services provided estimates of payment recipient numbers and average payment rates as at the 2019-20 Budget.

Commonwealth of Australia, 2014. *2014-15 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2017. *2017-18 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2018. *2018-19 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2018. *2019 Pre-election Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.

The Department of Social Services provided the model for the 2014-15 Budget measure *Apply the One-Week Ordinary Waiting Period to all Working Age Payments*.

The Department of Social Services provided average payment amounts and population projections over the 2019-20 Budget forward estimates period.

Attachment A – Reversing unfair Department of Social Services (DSS) measures and age pension cuts – financial implications

Table A1: Reversing unfair Department of Social Services (DSS) measures and age pension cuts – Fiscal and underlying cash balances ($m)(a)(b)

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
Component 2 – Restart indexation of eligibility thresholds for payments – income tax	*1.4*	*1.7*	*1.7*	*1.8*	***6.6***
Total – revenue	**1.4**	**1.7**	**1.7**	**1.8**	**6.6**
Expenses					
Administered					
Component 1 – Removing the one-week waiting period for all working age payments	*-66.0*	*-67.0*	*-69.0*	*-71.0*	***-272.0***
Component 2 – Restart the indexation of eligibility thresholds for payments	*-8.7*	*-9.5*	*-9.5*	*-9.6*	***-37.2***
Component 3 – Not proceeding with Schedule 1 of the Payment Integrity Bill – Enhanced residency requirements for pensioners	*-16.2*	*-46.4*	*-71.8*	*-91.9*	***-226.2***
Component 3 – Not proceeding with Schedule 2 of the Payment Integrity Bill – Pension supplement – Stopping the payment of pension supplement after six weeks overseas	*-43.2*	*-44.3*	*-45.4*	*-46.6*	***-179.6***
Component 3 – Not proceeding with Schedule 4 of the Payment Integrity Bill – Liquid assets test waiting period	*-50.5*	*-51.5*	*-53.9*	*-55.5*	***-211.4***
Component 4 – Reverse Schedule 1 of the Better Targeting Student Payments Bill – Relocation scholarship payment	*-0.5*	*-1.0*	*-1.1*	*-1.1*	***-3.7***
Component 4 – Reverse Schedule 2 of the Better Targeting Student Payments Bill – Education entry payment	*-2.4*	*-4.8*	*-4.8*	*-4.8*	***-16.8***
Component 4 – Reverse Schedule 3 of the Better Targeting Student Payments Bill – Pensioner education supplement	*-10.2*	*-20.7*	*-20.9*	*-21.1*	***-72.9***
Total – administered	***-197.7***	***-245.2***	***-276.4***	***-301.6***	***-1,019.8***
Departmental					
Component 1 – Remove the one-week waiting period for all working age payments	*2.0*	*2.0*	*2.0*	*2.0*	***8.0***
Component 2 – Restart the indexation of eligibility thresholds for payments	*..*	*..*	*..*	*..*	***..***
Component 3 – Not proceeding with Schedule 1 of the Payment Integrity Bill – Enhanced residency requirements for pensioners	*1.8*	*1.8*	*2.1*	*2.3*	***7.9***
Component 3 – Not proceeding with Schedule 2 of the Payment Integrity Bill – Pension supplement – Stopping the payment of pension supplement after six weeks overseas	*0.1*	*0.1*	*0.1*	*0.1*	***0.3***
Component 3 – Not proceeding with Schedule 4 of the Payment Integrity Bill – Liquid assets test waiting period	*-*	*-*	*-*	*-*	***-***
Component 4 – Reverse Schedule 1 of the Better Targeting Student Payments Bill – Relocation scholarship payment	*-*	*-*	*-*	*-*	***-***
Component 4 – Reverse Schedule 2 of the Better Targeting Student Payments Bill – Education entry payment	*-*	*-*	*-*	*-*	***-***
Component 4 – Reverse Schedule 3 of the Better Targeting Student Payments Bill – Pensioner education supplement	*-*	*-*	*-*	*-*	***-***
Total – departmental	***3.9***	***3.9***	***4.2***	***4.4***	***16.2***
Total – expenses	**-193.8**	**-241.3**	**-272.2**	**-297.2**	**-1,003.6**
Total	**-192.4**	**-239.6**	**-270.5**	**-295.4**	**-997.0**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Parliamentary
Budget Office

Policy costing

Affordable housing	
Party:	Australian Labor Party

Summary of proposal:

The proposal is to introduce a scheme to encourage large-scale institutional investment in affordable rental housing through the provision of annual financial incentives to investors if the investors comply with certain conditions. The conditions include that:

- the rent charged is at least 20 per cent below the market rent for the location of the dwelling
- the tenant meets an income test.

The operation and eligibility conditions of this scheme would be similar to those for the current National Rental Affordability Scheme which started on 1 July 2008 and offered annual incentives for a period of 10 years, but which is no longer taking new investments.

Under the proposal, the maximum number of eligible dwellings would be progressively increased over 10 years to reach a cumulative total of 250,000 according to the following profile:

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
Additional eligible dwellings	3,000	5,000	12,000	13,000	20,000	27,000	34,000	41,000	45,000	50,000

Annual incentives would be paid for each dwelling for 15 years.

The initial value of the incentive would be set at $8,500 per dwelling and would then be indexed each year in line with movements in the rental component of the consumer price index (CPI).

Incentives will take one of the following forms.

- For institutional investors liable to pay tax, the incentive would be in the form of an annual refundable tax offset administered by the Australian Taxation Office (ATO).
- For institutional investors not liable to pay tax, such as not-for-profit organisations, the incentive would be an annual non-taxable grant payment. This payment would be administered by the Department of Social Services (DSS), which would also have overall responsibility for the scheme.

Priority access to new properties will be given to residents of existing National Rental Affordability Scheme properties which are no longer eligible for incentive payments.

The scheme was announced in December 2018 and would commence on 1 July 2019.

Costing overview

This proposal would be expected to decrease the fiscal balance by $580 million and decrease the underlying cash balance by $280 million over the 2019-20 Budget forward estimates period. These impacts entirely reflect an increase in expenses.

This proposal would be expected to have a financial impact beyond the 2019-20 Budget forward estimates period. A breakdown of the financial implications over the period to 2029-30 is provided at Attachment A.

Under the proposal, the incentive payment for each dwelling would be paid for 15 years, meaning the last incentive payments would occur in 2043-44. The proposal would have an estimated total cost to 2043-44 of $44,508 million on both a fiscal balance and underlying cash balance basis.

Departmental expenses would be expected to increase by $7 million over the 2019-20 Budget forward estimates period and reflect the estimated cost for DSS to implement and administer the scheme. Departmental expenses for the ATO would not be expected to be significant, based on the cost of administering similar tax offset payments.

There is a difference between the fiscal balance and underlying cash balance impacts of this proposal because it is assumed that grant payments and tax offset claims would be paid in the financial year following the financial year in which the expense is recognised.

The estimates for the proposal are sensitive to the assumption that the maximum available dwelling incentives would be fully utilised each year. The take-up of dwelling incentives is dependent on a number of factors, including institutional investors' willingness to invest in affordable housing, the availability of financing, and economic conditions. If actual take-up is less than the maximum number of available dwelling incentives, the total financial impact of the scheme would be expected to be lower.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-26	-71	-179	-303	**-580**
Underlying cash balance	-1	-27	-71	-179	**-280**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- All available dwelling incentives would be taken up in the year in which they are released.
- The 2.5 per cent projected rate of growth in the rental component of the CPI in 2022-23 would continue to apply over the life of the proposal.
- All incentive payments would be made in the financial year following the financial year in which the expense is recognised.
- The split between incentives paid as refundable tax offsets by the ATO and grant payments made by DSS would be the same as that for the National Rental Affordability Scheme. That is, 75 per cent of incentives would be in the form of refundable tax offsets and 25 per cent would be grant payments.

Methodology

The total administered expense of the incentive payments each year was calculated by multiplying the maximum number of dwelling incentive payments available under the proposal by the indexed value of the incentive payments.

The administered expense for DSS was estimated by multiplying the total administered expenses for the proposal by the proportion of total National Rental Affordability Scheme payments currently made by DSS.

The administered expense for the ATO was estimated by multiplying the total administered expenses for the proposal by the proportion of total National Rental Affordability Scheme payments currently made by the ATO.

The departmental expense for DSS to implement and administer the proposal was based on the staffing profile for the initial National Rental Affordability Scheme measure in the 2008-09 Budget. This staffing profile has been adjusted for the timing of this proposal and put into the current Department of Finance departmental costing template to calculate the departmental expense of the proposal.

Estimates have been rounded to the nearest $1 million.

Data sources

The ATO provided data on the proportion of total National Rental Affordability Scheme incentives paid as refundable tax offsets.

DSS provided costings for the 2008-09 Budget measure *National Rental Affordability Scheme*.

The Department of Finance provided the departmental costing template.

The Department of the Treasury provided the indexation parameters from the 2019-20 Budget.

Attachment A – Affordable housing – financial implications

Table A1: Affordable housing – Fiscal balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Expenses													
Administered													
Department of Social Services	-6	-17	-44	-75	-124	-192	-280	-390	-516	-661	-677	***-143***	***-2,983***
Australian Taxation Office	-19	-52	-133	-226	-371	-575	-840	-1,170	-1,547	-1,983	-2,032	***-430***	***-8,948***
Total – administered	***-25***	***-69***	***-177***	***-301***	***-495***	***-767***	***-1,120***	***-1,560***	***-2,063***	***-2,644***	***-2,709***	***-573***	***-11,931***
Total – departmental	***-1***	***-2***	***-2***	***-2***	***-2***	***-2***	***-2***	***-2***	***-2***	***-2***	***-2***	***-7***	***-22***
Total	**-26**	**-71**	**-179**	**-303**	**-497**	**-769**	**-1,122**	**-1,562**	**-2,065**	**-2,646**	**-2,711**	**-580**	**-11,953**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

Table A2: Affordable housing – Underlying cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Payments													
Administered													
Department of Social Services	-	-6	-17	-44	-75	-124	-192	-280	-390	-516	-661	***-68***	***-2,305***
Australian Taxation Office	-	-19	-52	-133	-226	-371	-575	-840	-1,170	-1,547	-1,983	***-205***	***-6,916***
Total – administered	***-***	***-25***	***-69***	***-177***	***-301***	***-495***	***-767***	***-1,120***	***-1,560***	***-2,063***	***-2,644***	***-273***	***-9,221***
Total – departmental	***-1***	***-2***	***-2***	***-2***	***-2***	***-2***	***-2***	***-2***	***-2***	***-2***	***-2***	***-7***	***-22***
Total	**-1**	**-27**	**-71**	**-179**	**-303**	**-497**	**-769**	**-1,122**	**-1,562**	**-2,065**	**-2,646**	**-280**	**-9,243**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Banking Fairness Fund Levy	
Party:	Australian Labor Party
Summary of proposal: The proposal would impose a levy on significant banking businesses listed on the ASX 100. This levy would be applied proportionately, based on market capitalisation of these companies in the previous 12 month period. The levy would be deductable for company tax purposes, and raise $160 million each year, net of the applicable company tax impact. The proposal would commence on 1 January 2020. There would be a half-year impact in 2019-20.	

Costing overview

This proposal would be expected to increase the fiscal and underlying cash balance by $618 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, this impact reflects an increase in revenue of $630 million and an increase in expenses of $12 million.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

There is no difference between the fiscal and underlying cash balances due to payments for the levy being calculated yearly and paid in the same year as they are accrued.

Departmental expenses would be $12 million to implement the proposal.

Estimates in this costing are sensitive to the assumptions that affected banks would absorb the costs of this levy given the limited financial implications of the proposal on any individual bank. Additionally, the Parliamentary Budget Office (PBO) has not undertaken any analysis to assess whether the proposed expenditures would be sufficient to achieve the objective of the proposal.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	105	198	158	158	**618**
Underlying cash balance	105	198	158	158	**618**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- The affected banks would absorb the costs of this levy.
- All banks that would be liable to pay the levy would remain taxable over the 2019-20 Budget forward estimates period.

Methodology

The yearly levy amount imposed on banks listed on the ASX 100 was calculated, taking into account the applicable company tax impact. The levy is paid in the same year as the liability is raised. Consistent with company tax timing, the company tax deduction occurs in the year after the levy is paid.

Revenue estimates have been rounded to the nearest $10 million.

Departmental expense estimates have been rounded to the nearest $1 million.

Data sources

Commonwealth of Australia, 2016. *2016-17 Mid-year Economic and Fiscal Outlook,* Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2017. *2017-18 Budget,* Canberra: Commonwealth of Australia.

Attachment A – Banking Fairness Fund Levy – financial implications

Table A1: Banking Fairness Fund Levy – Fiscal and underlying cash balances ($m)[a][b]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
Levy	*110*	*230*	*230*	*230*	***800***
Company tax	*-*	*-30*	*-70*	*-70*	***-170***
Total – revenue	**110**	**200**	**160**	**160**	**630**
Expenses					
Departmental expense	*-5*	*-2*	*-2*	*-2*	***-12***
Total – expenses	**-5**	**-2**	**-2**	**-2**	**-12**
Total	**105**	**198**	**158**	**158**	**618**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Build-to-rent	
Party:	Australian Labor Party
Summary of proposal: This proposal would amend the rules on investments in build-to-rent housing by managed investment trusts. Currently, the managed investment trust withholding tax rate on distributions attributable to these investments is 30 per cent (with the exception of investments in affordable housing). This proposal would introduce a concessional managed investment trust withholding tax rate on these distributions of 15 per cent (consistent with the treatment of affordable housing). The proposal would commence on 1 July 2019.	

Costing overview

This proposal would be expected to have a small but unquantifiable impact on the fiscal and underlying cash balances over the 2019-20 Budget forward estimates period. The proposal would be expected to have an ongoing small but unquantifiable impact beyond the 2019-20 Budget forward estimates period.

The financial implications of this proposal cannot be quantified as information is currently not collected on the level of investment in build-to-rent housing by managed investment trusts. The similar 2017-18 Budget measure to allow managed investment trusts to invest in affordable housing, *Reducing Pressure on Housing Affordability – affordable housing through managed investment trusts*, was also unquantifiable.

Table 1: Financial implications ($m)

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	*	*	*	*	*
Underlying cash balance	*	*	*	*	*

* Unquantifiable.

Data sources

The Australian Taxation Office advised that data are currently not collected on managed investment trusts investing in build-to-rent housing.

Commonwealth of Australia, 2017. *2017-18 Budget*, Canberra: Commonwealth of Australia.

Parliamentary Budget Office

Policy costing

Capping deductions for managing tax affairs at $3,000	
Party:	Australian Labor Party
Summary of proposal: The proposal would implement a cap of $3,000 on tax deductions for individual taxpayers related to the cost of managing tax affairs. The cap would not apply to small businesses with positive business income and annual turnover of less than $2 million. The deduction cap would not apply to adjusted taxable income for the purposes of calculating eligibility for family and childcare payments. The proposal would have effect from 1 July 2019.	

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by $375 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in revenue of $380 million and an increase in expenses of $5 million over this period. Departmental expenses of around $5 million for the Australian Taxation Office (ATO) in 2019-20 reflect the estimated cost of implementation and administration of the proposal.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-5	120	120	130	**375**
Underlying cash balance	-5	120	120	130	**375**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

This costing is subject to uncertainty around the representativeness of individuals claiming deductions for the cost of managing tax affairs in the base year of data. In particular, a small number of individuals claiming very large deductions account for a significant proportion of total deductions above the cap, and the magnitude of such deductions can vary significantly across financial years. The costing is also sensitive to assumptions made about the behavioural response of individuals.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- Individuals would not bring forward the costs of managing tax affairs from 2019-20 to 2018-19.
  - This reflects that individuals have limited control over the timing of their cost-of-managing-tax-affairs expenses.
- Taxpayers and tax accountants would adjust their behaviour to reduce the impact of the policy proposal by an average of 30 per cent.
  - Individuals may claim deductions under alternative labels on their tax return.
  - Setting a cap may act as a signal to individuals and tax accountants as to an appropriate amount to spend on managing tax affairs. As such, individuals currently claiming deductions below the $3,000 cap may increase their deductions.

Methodology

- The costing was estimated using a 16 per cent sample of de-identified personal income tax and superannuation returns for individuals in 2016-17 provided by the ATO.
- These data were used to estimate the amount by which expenses associated with the cost of managing tax affairs reduced taxable income for affected individuals under the proposal, after accounting for the specified exclusions. This was then adjusted to account for the behavioural response identified above.
  - In 2016-17, all deductions associated with the 'cost of managing tax affairs' were captured under a single label on an individual's tax return. These deductions included litigation costs and interest charges imposed by the ATO. This costing treats all deductions under the 'cost of managing tax affairs' label in the same way, consistent with the policy specification.
- The cost of managing tax affairs was projected to grow in line with the 2019 Pre-election Economic and Fiscal Outlook parameters over the period to 2029-30.
- The estimates were benchmarked to the average of the 100 per cent files in the 2015-16 and 2016-17 income years for cost-of-managing-tax-affairs deductions in order to reduce variation in deductions across income years.
  - In some income years there are a small number of very large deductions that can significantly affect the estimated financial implications. This approach reduces the impact of extreme deductions in a given year.
- The modelling takes into account the timing of tax collections.
- Departmental expenses were estimated based on amounts allocated to the ATO for measures with similar administrative complexity.
- Revenue estimates have been rounded to the nearest $10 million.

- Departmental expense estimates have been rounded to the nearest $1 million.

Data sources

The ATO provided:

- de-identified 16 per cent sample of personal income tax and superannuation returns from the 2016-17 tax year
- de-identified 100 per cent files of personal income tax and superannuation returns from the 2015-16 and 2016-17 tax years.

Australian Taxation Office, *Taxation Statistics 2016-17*.

The Treasury provided the 2019 Pre-election Economic and Fiscal Outlook parameters.

Attachment A – Capping deductions for managing tax affairs at $3,000 – financial implications

Table A1: Capping deductions for managing tax affairs at $3,000 – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Revenue	-	*120*	*120*	*130*	***380***
Departmental expenses – Australian Taxation Office	*-5*	-	-	-	***-5***
Total	**-5**	**120**	**120**	**130**	**375**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary
Budget Office

Policy costing

Close the First Home Super Saver Scheme to new entrants	
Party:	Australian Labor Party
Summary of proposal: The proposal would close the First Home Super Saver Scheme (the Scheme). Contributions made to superannuation on or after 1 July 2019 would not be able to be withdrawn under the Scheme. Eligible superannuation contributions made prior to 1 July 2019 would be grandfathered, such that eligible individuals would still be able to withdraw those contributions and their associated deemed earnings to purchase a first home, subject to the tax on withdrawals that applies under the Scheme.	

Costing overview

The proposal would be expected to increase both the fiscal and underlying cash balances by $373.4 million over the 2019-20 Budget forward estimates period. This reflects an increase in revenue of $372 million and a decrease in departmental expenses of $1.4 million over the period.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

When this Scheme was introduced in the 2017-18 Budget, the costing showed a net loss to revenue over the forward estimates. This was due to the concessional treatment of additional superannuation contributions, partially offset by the tax paid on withdrawals for the purchase of a first home over this period. Under the proposal to close the Scheme, those who have made contributions before 1 July 2019 would still be able to withdraw these when a first home is purchased. As such, the revenue impact of this proposal from 2019-20 is expected to be greater than the reversal of the original Budget measure costs, because the withdrawals for those grandfathered in the Scheme would continue to be taxed. Once these withdrawals have been exhausted, the revenue impact would align with the reverse of the original Budget measure costs.

The estimates presented in this costing are subject to uncertainty. In particular:

- individuals making voluntary superannuation contributions are not required to indicate if they intend to utilise the Scheme. As such, there is uncertainty around the number of contributions that have been made with this intention, or how many people intend to release super through the Scheme over time.
- individuals may delay the purchase of their property as a result of reduced savings towards a first home. This would delay the timing of the withdrawal tax for those individuals who remain in the grandfathered scheme, affecting the profile of the financial implications.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	97.2	96.3	92.4	87.5	**373.4**
Underlying cash balance	97.2	96.3	92.4	87.5	**373.4**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- Take-up rate: 20 per cent of first home buyers with taxable incomes over $37,000 would participate in the Scheme.
  - These first home buyers were identified in the 2013-14 Survey of Income and Housing produced by the Australian Bureau of Statistics.
- Withdrawal of funds contributed before 1 July 2019: those who are grandfathered in the Scheme would withdraw their contributions by 30 June 2024.
- Departmental expenses: departmental expenses associated with grandfathering the Scheme would decrease by 10 per cent per year over the period to 2029-30 as the number of remaining participants in the Scheme decreases over time.

Methodology

- The estimates were derived by reversing the cost of the measure from the 2017-18 Budget (to 2020-21), with an adjustment factoring in the change in superannuation withdrawals as a result of the grandfathering of the policy.
  - Beyond 2020-21, the 2017-18 Budget estimates were projected over the period to 2029-30.
- The modelling has taken into account the timing of tax collections.
- Revenue estimates have been rounded to the nearest $1 million.
- Departmental expenses have been rounded to the nearest $100,000.
  - Departmental expenses have been estimated based on the cost of the original 2017-18 Budget measure, accounting for the assumptions outlined above.

Data sources

The Treasury provided the *2017-18 Budget* models underlying the *First Home Super Saver Scheme* measure.

The Australian Bureau of Statistics provided the *2013-14 Survey of Income and Housing*.

Commonwealth of Australia, 2017. *2017-18 Budget,* Canberra: Commonwealth of Australia.

Attachment A – Close the First Home Super Saver Scheme to new entrants – financial implications

Table A1: Close the First Home Super Saver Scheme to new entrants – Fiscal and underlying cash balances ($m)(a)(b)

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue	*97*	*96*	*92*	*87*	***372***
Departmental expenses – ATO	*0.2*	*0.3*	*0.4*	*0.5*	***1.4***
Total	**97.2**	**96.3**	**92.4**	**87.5**	**373.4**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary Budget Office

Policy costing

Director Identification Number fees	
Party:	Australian Labor Party
Summary of proposal: The proposal has two components which would be undertaken by the Australian Securities and Investments Commission (ASIC) to target phoenix activity. • Component 1: Directors would be charged a one-off fee of $20 to obtain a Director Identification Number. • Component 2: Increase the level of detail to be provided by directors when registering a company with ASIC. The company registration process would be improved through an online application that pre-fills details about previous and current directorships and asks additional questions. The proposal would commence on 1 July 2019.	

Costing overview

The proposal would be expected to increase the fiscal and underlying cash balances by $65 million over the 2019-20 Budget forward estimates. This impact reflects an increase in revenue of $69 million and an increase in departmental expenses for ASIC of $4 million.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

The costing is sensitive to the number of directors registered with ASIC and the likely growth in this number.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	50	5	5	5	**65**
Underlying cash balance	50	5	5	5	**65**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has assumed that the number of new director registrations each year is equal to the number of new company registrations, in line with historical trends.

Methodology

For Component 1, revenue was calculated as the proposed fee multiplied by the current number of directors in Australia for the first year, and the proposed fee multiplied by the assumed number of new director registrations in subsequent years.

For Component 2, departmental expenses are based on previous budget measures with a similar level of complexity. As there is existing legislation in place to set up and maintain a Director Identification Number registry, departmental expenses have only been calculated for the cost to capture additional information in application forms.

Estimates have been rounded to the nearest $1 million.

Data sources

ASIC provided information on the number of directors in Australia.

ASIC, *Company registration statistics* [Online]. Available at https://asic.gov.au/regulatory-resources/find-a-document/statistics/company-registration-statistics/ [Accessed 29.04.2019].

Attachment A – Director Identification Number fees – financial implications

Table A1: Director Identification Number fees – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
Component 1 – $20 charge to register for a unique Director Identification Number	*54*	*5*	*5*	*5*	***69***
Total – revenue	**54**	**5**	**5**	**5**	**69**
Expenses					
Departmental					
Component 2 – Creation of an online application that pre-fills details about previous and current directorships and asks additional questions	*-4*	*-*	*-*	*-*	***-4***
Total – expenses	**-4**	**-**	**-**	**-**	**-4**
Total	**50**	**5**	**5**	**5**	**65**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary
Budget Office

Policy costing

Discretionary trust reform	
Party:	Australian Labor Party
Summary of proposal: • Implement a minimum tax rate of 30 per cent on discretionary trust distributions to mature beneficiaries (individuals over 18 years of age). – The minimum tax rate would be applied to the total trust distribution, rather than on a marginal basis. Non-trust income would continue to be taxed at marginal rates, with an individual's tax liability on this income assessed exclusive of discretionary trust income. – Trust distributions relating to primary production income would be exempt from the minimum tax rate. – Discretionary trust distributions to people undergoing serious hardship (for instance, those with a disability) would be exempt from the minimum tax rate at the discretion of the Commissioner of Taxation. – The minimum tax rate would not apply to distributions from discretionary charitable trusts, deceased estate trusts, or testamentary trusts. The proposal would take effect from 1 July 2019.	

Costing overview

Policy background

A trust is a structure in which a trustee is under an obligation to hold assets for the benefit of others (the beneficiaries). Discretionary trusts are widely used for estate planning and asset protection, while providing the trustee with discretion over the allocation of income and capital of the trust to its beneficiaries.

Under current policy, discretionary trust distributions to individuals aged 18 years and over are taxed at marginal tax rates. The proposal would tax these distributions at a minimum average rate of 30 per cent, with some exclusions.

This would primarily affect individuals receiving a trust distribution who have little other net income. Individuals facing a marginal tax rate above 30 per cent before receiving a trust distribution would typically not be affected, nor would those receiving sufficiently large trust distributions such that the average tax rate on the distribution already exceeds 30 per cent.

Under the proposal, individuals would continue to receive franking credits from trust distributions that include dividend income, and the minimum tax rate calculation would then apply to dividends and franking credits. Similarly, the capital gains tax discount would continue to apply when capital gains are realised within a trust and allocated to an individual, and the minimum tax rate calculation would apply to the discounted capital gain.

Financial impact

This proposal would be expected to increase the fiscal and underlying cash balances by $7,685 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in revenue of $7,700 million, partially offset by an increase in departmental expenses of $15 million over this period.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	1,085	2,200	2,200	2,300	**7,685**
Underlying cash balance	1,085	2,200	2,200	2,300	**7,685**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

This proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period. The financial implications of the proposal for the period to 2029-30 are included at Attachment A.

Uncertainties

This costing is subject to uncertainties surrounding the growth rate of capital income of discretionary trusts, as well as potential behavioural responses.[1] The degree to which individuals would choose to divert their investments away from discretionary trusts as a result of this change is highly uncertain, as many individuals hold discretionary trusts for significant reasons other than the potential tax benefits, such as estate planning, income and asset protection, and control over the size and timing of distributions. There would also be transaction costs and capital gains tax associated with moving assets out of a trust. These factors, and existing compliance work by the Australian Taxation Office (ATO), may limit the extent of any behavioural responses.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

Behavioural responses

- Some affected individuals with a marginal tax rate below 30 per cent would bring forward trust distributions from 2019-20 to before the start date of 1 July 2019, however this would not have a material impact on the financial implications.

[1] There are inherent uncertainties in all policy costings, regardless of who produces them. For a more detailed discussion of the nature and sources of these uncertainties, see Parliamentary Budget Office information paper no. 01/2017, *Factors influencing the reliability of policy proposal costings.*

- Some individuals and trustees affected by the proposal would find ways to adjust their affairs in order to minimise the impact of the proposal.
  - Small businesses could choose to pay wages to working family members instead of using trust distributions.
  - Trustees could choose to allocate trust income to a company and distribute franked dividends to beneficiaries with low taxable incomes, on which the minimum tax rate would not apply.
  - Individuals may choose to wind up a discretionary trust to invest in alternative tax-effective investments, such as superannuation.
  - The impacts of these potential behavioural responses are significant and have been assessed in aggregate. They reduce the revenue impact by 25 per cent. The extent to which individuals would adjust their behaviour is limited by the other reasons individuals hold discretionary trusts and because there are transaction costs associated with changing arrangements. It would also be limited by the existing compliance work of the ATO relating to trusts, such as the 2013-14 Budget measure *Tax compliance – Australian Taxation Office trusts taskforce*.

Timing of tax collections

- The alternative minimum tax would be collected in the same financial year as the distribution for 50 per cent of all affected trust distributions, with the other 50 per cent collected in the year of assessment.
  - This is because the additional tax is expected to be factored into the existing withholding schedules for trust distributions.

Exemptions

- Allowing an exemption from the proposal for those undergoing serious hardship would not have a material impact on the financial implications.

Methodology

- The costing was estimated using a 2016-17 de-identified trust unit record file and a 16 per cent sample of de-identified personal income tax and superannuation returns for 2016-17 provided by the ATO.
  - The data were used to estimate the additional tax collected from each individual if a minimum tax rate of 30 per cent was applied on discretionary trust distributions (excluding from those trusts and distributions that are exempted from the proposal) to individuals aged over 18. This impact was projected over the period to 2029-30, taking into account proposed policy settings, income and population growth, and the behavioural responses outlined above.
  - The estimates were benchmarked to 100 per cent files of personal income tax and superannuation returns for a number of years to ensure a representative sample.
- This costing has taken account of the timing of tax collections.
- Departmental expenses include the costs of implementation.
- Estimates of revenue have been rounded to the nearest $100 million.
- Departmental expense estimates have been rounded to the nearest $1 million.

Data sources

The ATO provided:

- a 16 per cent sample of de-identified personal income tax and superannuation returns from the 2014-15, 2015-16 and 2016-17 tax years
- a 100 per cent file of de-identified personal income tax, trust and superannuation returns from the 2014-15, 2015-16 and 2016-17 tax years.

Australian Taxation Office, 2019. *Current issues with trusts and the tax system,* Canberra: Commonwealth of Australia.

Australian Bureau of Statistics, 2013. *Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2013. *2013-14 Budget*, Canberra: Commonwealth of Australia.

Attachment A – Discretionary trust reform – financial implications

Table A1: Discretionary trust reform – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Revenue	*1,100*	*2,200*	*2,200*	*2,300*	*2,400*	*2,500*	*2,700*	*2,800*	*2,900*	*3,000*	*3,100*	***7,700***	***26,900***
Departmental – ATO	*-15*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	***-15***	***-15***
Total	**1,085**	**2,200**	**2,200**	**2,300**	**2,400**	**2,500**	**2,700**	**2,800**	**2,900**	**3,000**	**3,100**	**7,685**	**26,885**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Doubling Foreign Investment Review Board (FIRB) fees and penalties	
Party:	Australian Labor Party

Summary of proposal:

The proposal has three components.

- Component 1: Double the application fees for foreign investment in residential real estate.
- Component 2: Double the civil and criminal financial penalties for foreign buyers who acquire new or existing dwellings without approval.
- Component 3: Double the maximum penalties for the following eight breaches.
  - Non-resident acquires established property or temporary resident acquires more than one established property.
  - Temporary resident fails to sell established property when it ceases to be their principal residence.
  - Temporary resident rents out an established property.
  - Failure to complete construction within four years without seeking extension.
  - Property developer fails to market apartments in Australia in accordance with conditions applying to an exemption certificate.
  - Property developer fails to comply with reporting conditions associated with approval.
  - Foreign person fails to comply with reporting condition that requires them to notify of actual purchase and sale of established properties.
  - Third party assists foreign investor to breach rules.

The proposal would have effect from 1 July 2019, and would be announced in advance.

Costing overview

The proposal would be expected to increase the fiscal and underlying cash balances by $305 million over the 2019-20 Budget forward estimates period. This impact entirely reflects an increase in revenue. The proposal would also be expected to increase both the fiscal and underlying cash balances by $21 million in 2018-19, as some applications for foreign investment in residential property would be expected to be brought forward from 2019-20.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	41	81	91	91	**305**
Underlying cash balance	41	81	91	91	**305**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

The proposal is not expected to involve any change in departmental expenses as it does not involve a material change in the administrative complexity of the existing fee and penalty system.

This costing is subject to uncertainty surrounding foreign demand, behavioural responses, and the growth in the number and value of applications and prices of affected properties. Factors affecting foreign investment include state taxes and foreign resident stamp duty increases, foreign investment application fees, increased restrictions on capital transfers in home countries, tightening of bank lending to foreigners, and weaker market conditions.[1]

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- Bring-forward of applications: some applications for foreign investment in residential property that would have been made in 2019-20 under current policy settings are brought forward to 2018-19 in order to avoid the higher fees.
  - This leads to an increase in revenue in 2018-19 and a reduction in the revenue gain in 2019-20.
- Decline in applications: there would be a small decline in the total value of applications for foreign investment in residential property as a result of this proposal.
- Decline in penalties: there would be a significant behavioural response to the doubling of penalties under Components 2 and 3.
  - Penalties are significantly lower for those that self-report their breach. As such, doubling the penalties would be likely to see more self-reporting and fewer penalties arising from compliance activity.

[1] Foreign Investment Review Board, 2019. *Annual Report 2017-18*, Canberra: Commonwealth of Australia 2019. p. 38.

Methodology

- The impact of the proposal was calculated by comparing estimated fee and penalty revenue under the proposal with fee and penalty revenue at the most recent baseline (2019 Pre-election Economic and Fiscal Outlook), incorporating the behavioural responses outlined above.
- Estimates of revenue from penalties (Components 2 and 3) have been quantified together due to uncertainty regarding the revenue breakdown of different penalties.
- Estimates of revenue from fees (Component 1) have been rounded to the nearest $10 million and estimates of revenue from penalties (Components 2 and 3) have been rounded to the nearest $1 million.

Data sources

The Australian Taxation Office provided forecasts for revenue associated with fees collected from foreign investment over the period to 2022-23.

The Treasury provided forecasts of the revenue from residential and business fees collected from foreign investment over the period from 2015-16 to 2018-19.

Foreign Investment Review Board, 2019. *Annual Report 2017-18,* Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2019. *2019 Pre-election Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.

Attachment A – Doubling Foreign Investment Review Board (FIRB) fees and penalties – financial implications

Table A1: Doubling Foreign Investment Review Board (FIRB) fees and penalties – Fiscal and underlying cash balances ($m)[a][b]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Revenue					
Component 1 *Double the application fees for foreign investment applications*	*40*	*80*	*90*	*90*	***300***
Components 2 and 3[c] *Double the financial penalties for non-approved dwelling acquisitions by foreign buyers and other breaches*	*1*	*1*	*1*	*1*	***5***
Total – revenue	**41**	**81**	**91**	**91**	**305**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

(c) Components 2 and 3 have been quantified together due to uncertainty regarding the revenue breakdown of different penalties.

Parliamentary
Budget Office

Policy costing

Expanding the mandate of the Parliamentary Budget Office (PBO)	
Party:	Australian Labor Party
Summary of proposal: This proposal involves expanding the mandate of the Parliamentary Budget Office (PBO). The PBO would: • produce the five-yearly intergenerational report from 2020 • prepare independent macroeconomic forecasts, from the 2021-22 Budget, that would underpin the estimates of revenue and expenditure published in the Government's economic and fiscal updates • join the Joint Economic Forecasting Group (JEFG).	

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $26.6 million over the 2019-20 Budget forward estimates period. These impacts are entirely due to an increase in departmental expenses over this period.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

The proposal represents a substantial extension of, and change in, the mandate of the PBO and would require a significant increase in the size of the PBO, with an associated expansion in the PBO's skills base, information technology (IT) infrastructure and office accommodation.

The costing provides for the PBO to draw on subject-matter experts within and outside government in the development of the intergenerational report. It is anticipated that the PBO would have access to the Treasury's models that have been used in the course of preparing previous intergenerational reports.

The macroeconomic forecasting component of the costing is based on the approach to forecasting used by the Treasury. Macroeconomic forecasts would be published at least two times a year alongside the annual Budget and the Mid-year Economic and Fiscal Outlook report, with provisional updates to the macroeconomic forecasts being provided confidentially to government ahead of the budget process to inform budget decision making.

The costing anticipates that the PBO is provided access to the Treasury's forecasting models and frameworks, including the macroeconometric forecasting model that is under development, and that a memorandum of understanding would be agreed to enable the PBO to use this and other relevant Treasury models in the forecasting process.

The costing provides for the Parliamentary Budget Officer to appoint a three-person advisory panel of eminent macroeconomists. The panel would examine and provide guidance on the PBO's economic forecasts. Panel members would be remunerated and the panel's role would be an advisory one, with the Parliamentary Budget Officer having ultimate responsibility for the independent economic forecasts.

The costing provides for a business liaison program. Based on the Treasury program, this would require in excess of 100 face-to-face interviews per year involving quarterly meetings with companies across a range of critical sectors of the economy, and targeted contacts with specific sectors that are important to the forecasts.

A provision for consultancies to assist with model development, review and analysis has been included.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-6.5	-6.8	-6.6	-6.7	**-26.6**
Underlying cash balances	-6.5	-6.8	-6.6	-6.7	**-26.6**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

Legislation

- The required legislative amendments to the *Parliamentary Service Act 1999* and the *Charter of Budget Honesty Act 1998* are made to enable the PBO to assume the additional functions outlined in the proposal.

Modelling capability

- The PBO would have access to the Treasury's macroeconomic forecasting and intergenerational report models.

Staffing levels

- Appropriately skilled and experienced staff could be recruited to carry out the expanded mandate. Given the small pool of qualified macroeconomic forecasting staff, this would likely require the secondment of staff from Treasury, and possibly the Reserve Bank of Australia, during a transition period.
  - The costing provides for a scaling up of PBO staff on the basis that the PBO would be fully staffed by 30 June 2020 in preparation for producing macroeconomic forecasts, and documents to support these forecasts, to underpin the 2021-22 Budget.
- Additional staff would be required to cover the additional administrative, publishing and corporate support activities commensurate with the increase in the PBO's size and responsibilities.
- There is no change to the Treasury's resourcing as a result of this proposal.

- While responsibility for preparing the macroeconomic forecasts that underpin budget updates would be transferred from the Treasury to the PBO, the Treasury would still be expected to need macroeconomic capabilities in order to advise government on: macroeconomic developments, the appropriate macroeconomic policy responses to developments in the economy, and the macroeconomic impact of policy proposals being considered by government.

Accommodation and infrastructure

- The PBO remains in Parliament House and would require a provision for fitout of office accommodation and additional IT infrastructure necessary for the increased staff and enhanced responsibilities.
- If the PBO were unable to remain in Parliament House, funding in addition to that presented in this costing would be required to rent and fitout alternative premises, establish the IT infrastructure to maintain the PBO's protected IT network, and move existing PBO staff and infrastructure to the new premises. The estimated additional expense would be in the order of $1.6 million in 2019-20 and around $1.0 million ongoing each year.

Methodology

Estimates of the number and composition of staff required to prepare the intergenerational report and independent economic forecasts are based on the Treasury's approach to macroeconomic forecasting set out in the *Review of Economic Modelling at the Treasury* report produced by Independent Economics in 2017.

Staffing and related infrastructure costs are estimated using the Department of Finance's standard departmental costing calculator, and advice from the Department of Parliamentary Services.

The estimated costs of the advisory panel of eminent macroeconomists are based on the Remuneration Tribunal's determination for sitting fees for similar panels.

Data sources

The Treasury, 2012. *Review of Treasury Macroeconomic and Revenue Forecasting*. [Online] Available at: http://www.treasury.gov.au/PublicationsAndMedia/Publications/2013/Forecasting-review [Accessed April 2019].

Independent Economics, 2017. *Review of Economic Modelling at the Treasury*. [Online] Available at: http://research.treasury.gov.au/external-paper/review-of-economic-modelling-at-the-treasury/ [Accessed April 2019].

Tease, W., 2016. *Forecasting in Treasury*, Address to CEDA's Economic and Political Overview Conference, Brisbane, 18 February 2016. [Online] Available at: http://www.treasury.gov.au/~/media/Treasury/Publications%20and%20Media/Speeches/2016/Forecasting%20in%20Treasury/Downloads/PDF/Forecasting-in-Treasury-Warren-Tease.ashx [Accessed April 2019].

Tease, W., 2015. *Review of Treasury's Macroeconomic Forecasting Capabilities*. [Online] Available at: http://www.treasury.gov.au/~/media/Treasury/Publications%20and%20Media/Publications/2016/Review%20of%20Macroeconomic%20Forecasting%20Capabilities/Downloads/PDF/Review-of-Macroeconomic-Forecasting-Capabilities.ashx [Accessed April 2019].

The Department of Finance provided the Standard Department of Finance departmental costing calculator.

Attachment A – Expanding the mandate of the Parliamentary Budget Office (PBO) – financial implications

Table A1: Expanding the mandate of the PBO – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Expenses					
Departmental					
PBO to produce intergenerational report from 2020	*-2.5*	*-1.4*	*-1.4*	*-1.4*	***-6.7***
PBO to prepare economic forecasts from 2021-22 Budget, and join the Joint Economic Forecasting Group	*-4.0*	*-5.4*	*-5.2*	*-5.3*	***-19.9***
Total – departmental	*-6.5*	*-6.8*	*-6.6*	*-6.7*	***-26.6***
Total – expenses	**-6.5**	**-6.8**	**-6.6**	**-6.7**	**-26.6**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary Budget Office

Policy costing

Fairer markets	
Party:	Australian Labor Party

Summary of proposal:

The proposal has seven components.

- Component 1: Increase maximum penalties under the *Competition and Consumer Act 2010* (the Act) from $10 million to $50 million. Alternatively, for anti-competitive conduct penalties, judges may adopt the European Union's methodology, which is based on 30 per cent of the annual sales of the product or service relating to the infringement, multiplied by the number of years for which the infringement took place.
- Component 2: Increase the litigation budget of the Australian Competition and Consumer Commission (ACCC) by $24.5 million per year.
- Component 3: Triple the number of penalty units for infringement notice penalties that the ACCC can issue under the Act.
- Component 4: Change the definition of a small business eligible for protection under the *Treasury Legislation Amendment (Small Business and Unfair Contract Terms) Act 2015* to a business entity with a turnover of up to $10 million.
- Component 5: Unfair contract terms will become illegal and incur civil penalties of up to a maximum of $50 million.
- Component 6: Provide $0.5 million in 2019-20 and then $1 million per year thereafter to create a Competition and Growth Taskforce.
- Component 7: Provide $1 million per year over the 2019-20 Budget forward estimates period, to facilitate the review of mergers that have occurred in concentrated markets, or have previously raised regulator concerns or enforceable undertakings to evaluate the competition and consumer outcomes of the merger, and the broader public interest.

The proposal would have effect from 1 July 2019.

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by $446.5 million over the 2019-20 Budget forward estimates period. This reflects an increase in revenue of $552.0 million and an increase in departmental expenses for the ACCC of $105.5 million.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

There are considerable uncertainties associated with this costing. The Parliamentary Budget Office (PBO) expects that an increase in maximum penalties under the Act would lead to an increase in the value of penalties. However, given that any changes to penalty amounts are at the discretion of the judges imposing them, this may not occur. Further, the base is highly volatile, reflecting the uncertainty inherent in estimating revenue from litigation. The costing estimates are based on the penalties that were imposed between 2014-15 and March 2019, but these may not be a reliable indicator of the penalties that would be imposed in the future. A further significant source of uncertainty is businesses' behavioural responses to the proposal. The PBO expects increased compliance with the Act on account of this policy proposal.

Table 1: Financial implications ($m) [(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	114.5	114.0	114.0	114.0	**446.5**
Underlying cash balance	114.5	114.0	114.0	114.0	**446.5**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

Component 1 and 2

- The distribution of penalties imposed between 2014-15 and March 2019 are representative of penalties that would be imposed in the future.
- Penalty amounts would increase proportionately to the increase in maximum penalties.
- Businesses would be expected to respond to the proposal by increasing their compliance with the Act, resulting in fewer cases being prosecuted by the ACCC and a decrease in the total value of penalties that would otherwise be expected to be imposed.
- The expected total value of penalties imposed would decrease by 50 per cent as a result of increased business compliance.
- The value of the increased penalties would be expected to remain constant over the period to 2029-30, which is consistent with the ACCC forecasts as at the 2019 Pre-election Economic and Fiscal Outlook.
- The proposed increase in the ACCC's litigation budget would not be expected to result in a material increase in the total value of penalties imposed on businesses as it depends on identifying additional cases for litigation and the outcome of court cases.

Component 3

- There would not be a behavioural response to this component.
- The average number of penalty units imposed each year in the absence of this component would be equal to the annual average of the penalty units for specified infringement notices over the period from 2017-18 to 2018-19.

Component 4 and 5

- The change in the definition of a small business eligible for protection under *Treasury Legislation Amendment (Small Business and Unfair Contract Terms) Act 2015* would not materially affect the overall number of complaints administered by the ACCC.
  - Despite the proposed change to the definition of a small business, the overall number of businesses covered by *Treasury Legislation Amendment (Small Business and Unfair Contract Terms) Act 2015* would not be expected to change significantly.
- The introduction of a penalty framework to apply to findings of unfair contract terms would act as a significant deterrent for businesses.
  - Given the current low number of cases progressing through the courts in the absence of a penalty framework, the potential penalty would act as further motivation for businesses to reach an agreement with the ACCC outside of court and thus is unlikely to raise a significant amount of revenue.

Methodology

Component 1

The estimates for Component 1 are based on ACCC data on penalties that were imposed over the period from 2014-15 to March 2019. The total annual value of penalties was estimated by applying the assumed increases in historical penalty amounts, calculating the total annual average and then applying the assumed behavioural response of businesses. The financial impact of this component was then calculated by subtracting the total penalty revenue included in the current budget base from the total value of penalties as calculated under the proposal.

Component 2

The estimates for Component 2 are as specified in the proposal.

Component 3

The estimates for Component 3 were estimated by calculating the difference between the baseline and the proposed value of penalty units for the specified infringement notices.

The baseline value for each year was based on the annual average value of total penalty units imposed for the specified infringement notices during the period between 2017-18 and 2018-19, including the impact of triannual indexation of the value of penalty units.

The proposed value was calculated by increasing the baseline value as specified.

Component 4

Component 4 would not be expected to have any financial implications based on the PBO's assessment that Component 4 does not significantly change the number of business covered by *Treasury Legislation Amendment (Small Business and Unfair Contract Terms) Act 2015.*

Component 5

Component 5 would result in increased compliance with existing rules and most unfair contract term cases not proceeding to court and therefore would have immaterial financial implications.

Component 6 and 7

The estimates for Component 6 and 7 are as specified in the proposal.

Revenue estimates for Component 3 have been rounded to the nearest $100,000. All other revenue estimates have been rounded to the nearest $10 million.

All expense estimates have been rounded to the nearest $100,000.

Data sources

The ACCC provided data on the number and value of civil penalties imposed under the *Competition and Consumer Act 2010* as a result of prosecutions by the ACCC over the period 2014-15 to 2018-19.

The Treasury and the Department of Finance, 2019. *2019 Pre-election Economic and Fiscal Outlook,* Canberra: The Treasury and the Department of Finance.

Attachment A – Fairer markets – financial implications

Table A1: Fairer markets – Fiscal and underlying cash balances ($m)(a)(b)

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Revenue					
Component 1 – Increase maximum penalties under the Competition and Consumer Act 2010	*140*	*140*	*140*	*140*	***550.0***
Component 3 – Triple the number of penalty units for infringement notice penalties that the ACCC can issue	*0.5*	*0.5*	*0.5*	*0.5*	***2.0***
Component 4 – Change the definition of a small business eligible for protection	-	-	-	-	**-**
Component 5 – Unfair contract terms will become illegal and incur civil penalties	..	..	..	..	**..**
Total – revenue	**140.5**	**140.5**	**140.5**	**140.5**	**552.0**
Expenses					
Departmental					
Component 2 – Increase the litigation budget of the ACCC	*-24.5*	*-24.5*	*-24.5*	*-24.5*	***-98.0***
Component 6 – Create a Competition and Growth Taskforce	*-0.5*	*-1.0*	*-1.0*	*-1.0*	***-3.5***
Component 7 – Review mergers to evaluate the competition and consumer outcomes	*-1.0*	*-1.0*	*-1.0*	*-1.0*	***-4.0***
Total – expenses	**-26.0**	**-26.5**	**-26.5**	**-26.5**	**-105.5**
Total	**114.5**	**114.0**	**114.0**	**114.0**	**446.5**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Parliamentary
Budget Office

Policy costing

Increasing Australian Taxation Office (ATO) compliance resources	
Party:	Australian Labor Party
Summary of proposal: This proposal has three components. • Component 1 – Make the existing Tax Avoidance Taskforce ongoing at its existing funding level • Component 2 – Provide the Australian Taxation Office (ATO) with an additional $50 million in funding each year for compliance and anti-avoidance work relating to trusts. • Component 3 – Provide the ATO with an additional $50 million in funding each year for compliance work relating to multinationals. This proposal would commence on 1 July 2020.	

Costing overview

This proposal would be expected to increase the fiscal balance by $220 million and the underlying cash balance by $50 million over the 2019-20 Budget forward estimates period. This impact reflects the net effect of an increase in revenue from additional compliance activities and an increase in departmental expenses for the ATO.

The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period. A breakdown of the financial implications over the 2019-20 Budget forward estimates period is provided at Attachment A.

Departmental expense estimates are based on the ATO funding specified in the proposal.

The underlying cash balance impact differs from the fiscal balance impact because of a timing difference between when tax liabilities are raised from compliance activities and when they are collected.

The financial implications of each component of this costing are highly uncertain as there is limited information available to estimate how additional revenue raised from compliance activities would be expected to change over time. Although the assumed rates of revenue return on additional ATO funding used in the costing are based on information provided by the ATO, they are particularly uncertain over longer periods of time and for large amounts of additional funding, such as the increments specified in this proposal.

The financial implications of the interactions between the components of this costing are also highly uncertain. The full extent of the overlap in compliance activities between the different areas of the ATO that would receive the additional funding is unknown, but would be expected to be significant. The level of diminishing returns on increased compliance funding is based on assumptions derived from information from the ATO.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	50	90	80	**220**
Underlying cash balance	-	-30	20	60	**50**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

All components

- The ATO would be able to increase staffing levels and other resources to fully utilise the additional funding by the start date of the proposal.
- A proportion of the additional revenue raised under this proposal would be the result of increased voluntary compliance.
- The total number of staff hired under each component would be expected to decline over time due to increased staffing costs and the effect of the efficiency dividend.
- A number of staff would need to be employed for ancillary roles, such as interpretive assistance duties.
- Additional revenue raised would be collected in subsequent years and some liabilities (bad debts) would never be collected.
  - Bad debts would be between 5 per cent and 33 per cent of all compliance collections, depending on the particular area of compliance activity undertaken.

Tax Avoidance Taskforce

- Based on information from the ATO, additional revenue from increased ATO funding above what is already included in the 2019-20 Budget would be 40 per cent lower than the revenue return estimated for the 2019-20 Budget measure *Tax Integrity – extension and expansion of the ATO Tax Avoidance Taskforce on Large Corporates, Multinationals and High Wealth Individuals*.
- Extending the Tax Avoidance Taskforce on an ongoing basis would be expected to have a diminishing rate of return of 35 per cent that phases in over a period of seven years from 2023-24.
- The Tax Avoidance Taskforce would interact with other compliance areas such as the 2018-19 Budget measure *Black Economy Package – new and enhanced ATO enforcement against the Black Economy*.
- The Tax Avoidance Taskforce would be expected to have an indirect compliance impact, consistent with the 2016-17 Budget measure *Tax Integrity Package – establishing the Tax Avoidance Taskforce* and the 2019-20 Budget measure *Tax Integrity – extension and expansion of the ATO Tax Avoidance Taskforce on Large Corporates, Multinationals and High Wealth Individuals*.

Multinational tax compliance

- The estimated return on full-time-equivalent staff employed as direct active compliance staff for multinational tax compliance would be $1 million per year.
- There would be a diminishing rate of return of 40 per cent that phases in over a period of eight years from 2021-22.

Trusts tax compliance

- The estimated return on full-time-equivalent staff employed as direct active compliance staff for trusts tax compliance would be $1.5 million per year.
- There would be a diminishing rate of return of 40 per cent that phases in over a period of eight years from 2021-22.

Interactions

- There would be a high degree of overlap between the compliance activities undertaken in each component of the proposal. This overlap would be expected to reduce the revenue raised from the additional trusts and multinational tax compliance funding by 50 per cent.

Methodology

Tax Avoidance Taskforce

The financial implications of this component of the proposal were estimated based on an ATO full-time-equivalent resource-based model. The model determined the number of additional full-time-equivalent staff that would be hired by the Tax Avoidance Taskforce and estimated the expected revenue return, based on historical revenue return information. Staffing numbers were reduced over time based on the wage cost index and the efficiency dividend. Estimated additional revenue was reduced to allow for the diminishing return assumptions outlined above.

Multinational tax compliance

Similar to the Tax Avoidance Taskforce, the financial implications of this component of the proposal were estimated based on an ATO full-time-equivalent resource-based model. The compliance activity for this component was focused only on multinational tax compliance.

Trusts tax compliance

The financial implications of this component of the proposal were estimated based on an ATO full-time-equivalent resource-based model. The compliance activity for this component was focused only on trusts compliance.

Interactions

Estimates of the total interaction between the components was calculated by using the assumed changes as outlined in *Key assumptions*. These estimates were then subtracted from total compliance collections.

Revenue estimates have been rounded to the nearest $10 million. Departmental expense estimates have been rounded to the nearest $1 million.

Data sources

Commonwealth of Australia, 2016. *2016-17 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2018. *2018-19 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2019. *2019-20 Budget*, Canberra: Commonwealth of Australia.

The Treasury provided the modelling for the 2016-17 Budget measure *Tax integrity package – establishing the Tax Avoidance Taskforce*.

The ATO provided additional information on the 2016-17 Budget measure *Tax integrity package – establishing the Tax Avoidance Taskforce.*

The Treasury provided the modelling for the 2019-20 Budget measure *Tax integrity – extension and expansion of the ATO Tax Avoidance Taskforce on Large Corporates, Multinationals and High Wealth Individuals* and the 2018-19 Budget measure *Black Economy Package – new and enhanced ATO enforcement against the Black Economy.*

Attachment A – Increasing Australian Taxation Office (ATO) compliance resources – financial implications

Table A1: Increasing Australian Taxation Office (ATO) compliance resources – Fiscal balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Revenue													
Tax Avoidance Taskforce	-	-	-	-	*960*	*1,130*	*1,140*	*1,110*	*1,040*	*970*	*890*	-	***7,240***
Multinational tax compliance	-	*30*	*70*	*80*	*180*	*170*	*150*	*140*	*130*	*120*	*120*	***180***	***1,190***
Trusts compliance	-	*120*	*120*	*100*	*200*	*200*	*190*	*180*	*160*	*150*	*150*	***340***	***1,570***
Interactions	-	-	-	-	*-190*	*-190*	*-170*	*-160*	*-150*	*-130*	*-130*	-	***-1,120***
Total – revenue	**-**	**150**	**190**	**180**	**1,150**	**1,310**	**1,310**	**1,270**	**1,180**	**1,110**	**1,030**	**520**	**8,880**
Expenses													
Departmental													
Tax Avoidance Taskforce	-	-	-	-	*-317*	*-317*	*-317*	*-317*	*-317*	*-317*	*-317*	-	***-2,218***
Multinational tax compliance funding	-	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	***-150***	***-500***
Trusts compliance funding	-	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	***-150***	***-500***
Total – expenses	**-**	**-100**	**-100**	**-100**	**-417**	**-417**	**-417**	**-417**	**-417**	**-417**	**-417**	**-300**	**-3,218**
Total	**-**	**50**	**90**	**80**	**733**	**893**	**893**	**853**	**763**	**693**	**613**	**220**	**5,662**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Table A2: Increasing Australian Taxation Office compliance resources – Underlying cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Receipts													
Tax Avoidance Taskforce	-	-	-	-	*430*	*840*	*1,110*	*1,120*	*1,050*	*970*	*900*	-	***6,400***
Multinational tax compliance	-	*10*	*30*	*60*	*160*	*170*	*160*	*140*	*130*	*120*	*120*	***100***	***1,100***
Trusts compliance	-	*60*	*90*	*100*	*210*	*200*	*190*	*180*	*160*	*150*	*150*	***250***	***1,490***
Interactions	-	-	-	-	*-190*	*-190*	*-170*	*-160*	*-150*	*-130*	*-130*	-	***-1,120***
Total – receipts	**-**	**70**	**120**	**160**	**610**	**1,020**	**1,290**	**1,280**	**1,190**	**1,110**	**1,040**	**350**	**7,870**
Payments													
Departmental													
Tax Avoidance Taskforce	-	-	-	-	*-317*	*-317*	*-317*	*-317*	*-317*	*-317*	*-317*	-	***-2,218***
Multinational tax compliance funding	-	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	***-150***	***-500***
Trusts compliance funding	-	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	*-50*	***-150***	***-500***
Total – payments	**-**	**-100**	**-100**	**-100**	**-417**	**-417**	**-417**	**-417**	**-417**	**-417**	**-417**	**-300**	**-3,218**
Total	**-**	**-30**	**20**	**60**	**193**	**603**	**873**	**863**	**773**	**693**	**623**	**50**	**4,652**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Labor's fairer income tax cuts	
Party:	Australian Labor Party
Summary of proposal: The proposal would increase the base amount of the low and middle income tax offset from $255 to $350. The $350 offset would be available to individuals with taxable incomes less than $37,000. The base amount would increase at a rate of 6.64 cents per dollar to the maximum offset of $1,080 for individuals with taxable incomes between $37,000 and $48,000. The proposal would have effect from the 2018-19 income year and would be ongoing, beyond 1 July 2022. The offset would be applied when individuals lodge their personal income tax returns.	

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $1,051 million over the 2019-20 Budget forward estimates period. This impact reflects a decrease in revenue and an increase in departmental expenses. There is no material impact in 2018-19 as individuals would not receive the benefit of the offset until they lodge their personal income tax returns, which would be in the 2019-20 income year.

Departmental expenses of $1 million per year for the Australian Taxation Office (ATO) reflect the estimated cost of implementation and administration of the low and middle income tax offset beyond 1 July 2022.

The proposal would be expected to have an impact which extends beyond the 2019-20 Budget forward estimates period. Detailed financial implications for the proposal over the period to 2029-30 are included in Attachment A.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-260	-270	-270	-261	**-1,051**
Underlying cash balance	-260	-270	-270	-261	**-1,051**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has assumed there would be no material behavioural response associated with the proposal, including to labour supply.

- High-income earners are often able to adjust their taxable income in response to changes in marginal tax rates.[1] This proposal would not change marginal tax rates for those with a taxable income greater than $48,000, suggesting that any taxable income adjustment is likely to be small.
- Studies indicate that some people will choose to work less in response to lower tax rates, while others will work more.[2] There is considerable uncertainty in the direction, magnitude and timing of the effect of this proposal on labour supply.

Methodology

- The financial implications of the proposal were estimated using a 16 per cent sample of de-identified personal income tax and superannuation returns for 2016-17 provided by the ATO. The data were used to estimate the change in tax payable.
- The modelling has taken account of the timing of tax collections.
- Estimates of revenue have been rounded to the nearest $10 million over the 2019-20 Budget forward estimates period. Estimates beyond the forward estimates period have been rounded to the nearest $100 million. Departmental expenses have been rounded to the nearest $1 million.

Data sources

The ATO provided a 16 per cent sample of de-identified personal income tax and superannuation returns for the 2016-17 tax year.

The Treasury provided economic forecasts for personal income and superannuation tax as at the 2019-20 Pre-election Economic and Fiscal Outlook.

[1] See for instance, HM Revenue and Customs, 2012. *The Exchequer effect of the 50 per cent additional rate of income tax*, London: HM Revenue and Customs.

[2] Ibid.

Attachment A – Labor's fairer income tax cuts – financial implications

Table A1: Labor's fairer income tax cuts – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Revenue	*-260*	*-270*	*-270*	*-260*	*-7,800*	*-8,300*	*-8,400*	*-8,400*	*-8,400*	*-8,400*	*-8,400*	***-1,050***	***-59,300***
Departmental – ATO	-	-	-	*-1*	*-1*	*-1*	*-1*	*-1*	*-1*	*-1*	*-1*	***-1***	***-8***
Total	**-260**	**-270**	**-270**	**-261**	**-7,801**	**-8,301**	**-8,401**	**-8,401**	**-8,401**	**-8,401**	**-8,401**	**-1,051**	**-59,308**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary
Budget Office

Policy costing

Making multinationals pay their fair share	
Party:	Australian Labor Party

Summary of proposal:

This proposal has six components.

- Component 1: Change the thin capitalisation rules by removing the 'safe harbour' and 'arm's length' debt tests, leaving only the 'worldwide gearing' debt test.
- Component 2: Reintroduce the 2012-13 Budget measure *Bad debts – ensuring consistent treatment in related party financing arrangements*. The component would deny tax deductions for bad debts written-off by creditors where the debtor is a related party. The corresponding gain to the debtor would not be subject to tax.
- Component 3: Denial of a tax deduction for royalties sent to foreign recipients when the royalties are paid by a significant global entity for the use of, or right to use, intellectual property within Australia, and either:
  - the royalties are paid to a related-party in a jurisdiction that is subject to the 'sufficient foreign tax test' as outlined in section 177L of the *Income Tax Assessment Act 1936*
  - the jurisdiction houses intellectual property in a tax preferential patent box regime.

  The tax deduction would only be allowed if the firm can substantiate to the Commissioner of Taxation that the royalties are not related to intangible assets housed in a non-double-tax-agreement jurisdiction, or housed in a tax-preferred patent box.
- Component 4: Apply a minimum final withholding tax of 30 per cent on fixed trust cash distributions to non-residents. Non-residents would not be able to claim a refund of this withholding in Australia since it is a final withholding tax. Distributions to non-residents paid out of managed investment trusts or collective investment vehicles would not be subject to the withholding tax. Withholdings on distributions to Australian residents remain unchanged.
- Component 5: Deny deductions for meal and incidental employee allowances from the substantiation exemption, when such deductions are associated with travel to certain jurisdictions. Individuals may apply to the Commissioner of Taxation to allow the deduction. To do so they would need to provide complete substantiation of all costs, and justification that such costs were incurred in the production of assessable income. The portion of allowance associated with travel to affected jurisdictions that cannot be substantiated and justified as incurred in the production of assessable income would attract a fringe benefits tax (FBT) liability.
- Component 6: Deny deductions from companies for expenditure on:
  - flights and other travel to or from certain jurisdictions
  - professional services provided in, or by a firm located in, certain jurisdictions.

Individuals may apply to the Commissioner of Taxation to allow the deduction. To do so they would need to provide complete substantiation of all costs and justification that such costs were incurred in the production of assessable income. The expenditure that cannot be substantiated and justified as incurred in the production of assessable income would attract an FBT liability.

For Components 5 and 6 the specified jurisdictions are Andorra, Liechtenstein, Guernsey, Monaco, Mauritius, Liberia, Seychelles, Brunei, Maldives, Cook Islands, Nauru, Niue, Marshall Islands, Vanuatu, Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Grenada, Montserrat, Panama, St Vincent and the Grenadines, St Kitts and Nevis, Turks and Caicos, and the US Virgin Islands.

Component 4 of the proposal would have effect from 1 July 2020. All other components of the proposal would have effect from 1 July 2019.

Costing overview

This proposal would be expected to increase the fiscal and underlying cash balances by $1,545.1 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in revenue of $1,547.1 million and an increase in departmental expenses of $2 million.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

Components 5 and 6 of this proposal would be expected to have an impact on departmental expenses for the Australian Taxation Office (ATO). These departmental expenses reflect the cost to the ATO of implementing the proposal, including system changes and information campaigns. The other components of this proposal would not be expected to have departmental impacts.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-2.0	592.5	462.7	471.9	**1,545.1**
Underlying cash balance	-2.0	592.5	462.7	471.9	**1,545.1**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Uncertainties

All components of this costing are subject to uncertainty.[1] The Parliamentary Budget Office (PBO) does not expect that there would be significant interactions between the components of this costing.

[1] There are inherent uncertainties in all policy costings, regardless of who produces them. For a more detailed discussion of the nature and sources of these uncertainties see PBO information paper no. 01/2017, *Factors influencing the reliability of policy proposal costings*.

Component 1: Change thin capitalisation rules

There is uncertainty around worldwide gearing ratios and potential behavioural responses of affected entities. There is currently limited information to determine the magnitude of worldwide gearing ratios of individual companies because only companies that use this test are required to report this information to the ATO, and very few companies have used this test. Changes in assumptions around the magnitude of worldwide gearing ratios could significantly alter the estimates. There are also uncertainties around growth in the level of debt and the interaction between this component and the 2018-19 Budget measure *Tax Integrity – thin capitalisation – valuation of assets and treatment of consolidated entities* as both deny debt deductions. The 2019-20 Budget measure *Tax Integrity — extension and expansion of the ATO Tax Avoidance Taskforce on Large Corporates, Multinationals and High Wealth Individuals* could also have an interaction effect with this component as the compliance activities of the taskforce may affect some of the behavioural responses of affected entities. The magnitude and timing of the interaction effect are too uncertain to be estimated in this costing.

Component 2: Deny deductions for bad debts to related parties

This component is subject to uncertainty given the variability of bad debts claimed across years. The estimates are based on a historical average of bad debt expenses and would change in line with actual outcomes.

Component 3: Royalty integrity measure

There is a significant degree of uncertainty around behavioural responses to the proposed changes. Given the component targets significant global entities, it is expected that there will be a significant behavioural response to minimise its impact. Companies may reorganise existing royalty arrangements by altering the destination country to avoid the 'sufficient foreign tax test' or re-characterise royalty payments to preserve the royalty deduction.[2] These behavioural responses by companies are expected to significantly reduce the revenue gain from the component.

Component 4: Non-resident withholding on fixed trusts

There is uncertainty around the behavioural response to increased taxation on trust distributions. Fixed trusts with significant foreign beneficiaries may restructure to a company structure to avoid this component. The behavioural response by fixed trusts is expected to significantly reduce the gain to revenue. These revenue projections only capture direct distributions from trusts to non-residents. In practice, trusts may use custodians in order to facilitate payments. Where a fixed trust makes a payment through a custodian, it is difficult to trace that payment to non-residents and this data could not be provided to the PBO. If these arrangements are prevalent it could increase the revenue raised from this component.

Component 5: Deny deductions for meals and allowances associated with travel to certain jurisdictions

This component is subject to considerable uncertainties around the value of travel allowances that would be denied as deductions under this component, which depends on the number of business trips to the specified jurisdictions, the average length of stay, the level of unsubstantiated expenses and compliance under current policy settings, and the prevalence of employers providing allowances in line with ATO determinations without requiring substantiation from their employers.

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[2] For example, subsidiaries in Australia could enter into service agreements or loans instead of paying royalties.

There is also uncertainty surrounding future ATO determinations of reasonable travel expenses. The financial implications of this component are sensitive to the assumption that companies would adjust travel allowances to avoid incurring an additional FBT liability, with the result that deductions fall and company tax revenue increases.

Component 6: Deny deductions for travel and professional service expenses in certain jurisdictions

This costing is subject to considerable uncertainties around the value of flights to and from specified jurisdictions that would be denied as deductions under this component, which depends upon the number of business trips to specified jurisdictions, the average cost of these flights, compliance rates under current policy settings, and the proportion of affected companies that currently pay income tax.

There is not sufficient data to provide a costing of denying deductions for expenditure on professional services provided in, or by a firm located in, the specified jurisdictions, due to uncertainty surrounding the average cost of such services, as well as the amount of professional services affected by the component. As such, there is an unquantifiable gain to revenue from denying deductions on costs from these professional services.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

Component 1: Change thin capitalisation rules

- The available ATO company data on thin capitalisation shows that only a small number of companies have used the ‘worldwide gearing’ debt test to determine their allowable deduction amount, with most companies using the ‘safe harbour’ debt test. Consequently, most companies have not been required to submit information to the ATO on the level of their worldwide gearing.
  - In the absence of this information, the PBO has calculated the average worldwide gearing ratio for each industry group based on data from publicly available financial statements and de-identified data from the ATO for the 10 largest oil and gas companies in Australia. Companies are assumed to have a worldwide gearing ratio equal to the estimated average of their industry, which ranges from 0.39 to 0.85.
  - Companies that use the ‘safe harbour’ debt test are assumed to have a worldwide gearing ratio equal to or less than the ‘safe harbour’ ratio of 0.6. An increase in revenue only arises where the worldwide gearing ratio is below the ‘safe harbour’ ratio.
- The costing makes an allowance for the possibility that some companies would alter their behaviour in order to avoid the impact of this component. This would reduce the revenue raised by 10 per cent after the first year of the component and by 2 per cent per year in subsequent years. This behavioural change could include changes to future worldwide financing arrangements to raise their worldwide gearing levels. In previous changes to the thin capitalisation rules, companies altered their behaviour to avoid increases in debt deductions denied by revaluing their asset base. For this reason, and the uncertainty surrounding potential behavioural responses, the costing has factored in a further 50 per cent reduction in estimated revenue collections.
- The ATO would not vary the company pay-as-you-go instalments in the first year of income of this component (2019-20). Where this component results in higher income tax relating to the 2019-20 income year, this would be recognised and paid in subsequent years.

Component 2: Deny deductions for bad debts to related parties

- The amount of total bad debt deductions would not change materially over the 2019-20 Budget forward estimates period as a result of behavioural responses to the component.
- The proportion of bad debt deductions from related parties would not materially change over time.

Component 3: Royalty integrity measure

- Royalties categorised by the ATO as 'copyright, patent, design or model, plan, secret formula or process, trademark, or other' are in scope of the component.
- Where intellectual property related royalties are distributed to countries with an intellectual property tax-preferential regime, such as an intellectual property box regime, they will utilise the tax preferential-arrangements. The following countries were identified as having an intellectual property tax-preferential regime: Belgium, China, Cyprus, France, Hungary, India, Ireland, Israel, Italy, Luxembourg, Malta, Netherlands, Portugal, Singapore, the Slovak Republic, Slovenia, Spain, Switzerland, Turkey, and the United Kingdom.[3]
- Given the company tax rate of 30 per cent for significant global entities, countries where the corporate tax rate is below 24 per cent are considered to not pass the 'sufficient foreign tax test'.
- The component would apply to royalties with unknown destinations.
- There would be a significant behavioural response to this component. The majority of affected companies would be expected to restructure their royalty arrangements, equivalent to avoidance of 70 per cent of the potential additional revenue gain.
- Royalties paid over the 2019-20 Budget forward estimates period are expected to grow in line with company gross operating surplus.
- Decisions to allow a deduction by the Commissioner of Taxation are not quantifiable since it is a discretionary power.
- 89 per cent of intellectual property royalty payments were made by companies in a taxable position in 2016-17 and this proportion is assumed to remain constant over the 2019-20 Budget forward estimates period.
  - For companies that pay royalties but cannot be matched to company tax return data, the proportion in a taxable position was assumed to be the same proportion as in the matched records in the dataset.

Component 4: Non-resident withholding on fixed trusts

- There would be a significant behavioural response to this component. The majority of affected fixed trusts would be expected to restructure their arrangements, equivalent to avoidance of around 70 per cent of the potential additional revenue gain.
- Distributions paid in the 2019-20 Budget forward estimates period would grow in line with nominal gross domestic product.

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[3] Countries that have announced an intellectual property tax-preferential regime to be implemented in the 2019 calendar year have been included. Colombia has been excluded due to the abolition of their intellectual property regime.

Component 5: Deny deductions for meals and allowances associated with travel to certain jurisdictions

- Reimbursement of expenses: employers would require substantiation for expenses associated with travel to affected jurisdictions, and would withhold payment or require repayment of the unsubstantiated portion of the allowance rather than pay the FBT liability.
  - As a result, there would be a reduction in company tax deductions, leading to an increase in company tax revenue rather than an increase in FBT revenue.
- Proportion of denied deductions: 25 per cent of deductions associated with travel to affected jurisdictions would be denied under this component.
  - This reflects that some current deductions are likely to not fully comply with the ATO's requirements, or are not able to be substantiated. Some recipients of allowances affected by the component may also increase the proportion of the allowance that they spend on deductible expenses.
  - There is little data available on spending of employee allowances associated with travel. The proportion of illegitimate expenses is based on the professional judgement of the PBO.
  - The costing is highly sensitive to this assumption. A five percentage point increase in the proportion of illegitimate expenses would increase the financial implications of this component by $2 million over the 2019-20 Budget forward estimates period.

Component 6: Deny deductions for travel and professional service expenses in certain jurisdictions

- Reimbursement of expenses: employers would no longer seek deductions in cases where expenditure is not compliant with the proposed rules, rather than pay the FBT liability.
  - As a result, this component would lead to a reduction in company tax deductions, which would increase company tax revenue rather than increase FBT revenue.
- Proportion of denied deductions: 25 per cent of deductions associated with travel to affected jurisdictions would be denied under this component.
  - This reflects that some current deductions are likely to not fully comply with the ATO's requirements, or are not able to be substantiated. Some recipients of allowances affected by the component may also increase the proportion of the allowance that they spend on deductible expenses.
  - The costing is highly sensitive to this assumption. A five percentage point increase in this proportion would increase the financial implications of this component by $4.4 million over the 2019-20 Budget forward estimates period.
- Amount of deductions: the number of flights made, the average cost of flights, the level of compliance under current policy settings, and the proportion of entities that currently pay income tax reflect information from the ATO's 2016-17 Taxation Statistics data, Australian Bureau of Statistics (ABS) overseas arrivals and departures data, and online data on changes in flight costs.
- Behavioural response: there would be no reduction in business travel. This costing is sensitive to this assumption. A 10 per cent reduction in flights would decrease the financial implications of this component by $2.2 million over the 2019-20 Budget forward estimates period.

Methodology

Component 1: Change thin capitalisation rules

The financial implications of this component were calculated based on ATO unit record data for thin capitalisation entities over the period from 2012-13 to 2016-17. The impact of this component was calculated by estimating the allowable debt deduction for each company under the component and subtracting the amount of current allowable debt deductions. An adjustment was made for the assumed behavioural responses, weighted average company tax rate, and the estimated timing of tax payments.

There is a positive interaction effect between the component and the 2018-19 Budget measure *Tax Integrity – thin capitalisation – valuation of assets and treatment of consolidated entities.* This effect was measured by modelling the 2018-19 Budget measure under a worldwide-gearing-test-only scenario and comparing the estimates with those of the 2018-19 Budget.

Component 2: Deny deductions for bad debts to related parties

The amount of bad debt deductions from related parties was calculated based on company tax return data and the above assumptions. The tax revenue implications of the component were then calculated by multiplying the estimated related party bad debt deductions with the weighted company tax rate for each year over the 2019-20 Budget forward estimates period.

Component 3: Royalty integrity measure

The ATO provided a dataset of non-resident royalty payments for the 2016-17 and 2017-18 financial years. A minimum tax withholding rate on royalties of 30 per cent or the denial of a tax deduction for royalty payments was applied where the destination country was identified as having either an intellectual property tax-preferential regime or a significantly lower corporate tax rate such that it would not pass the 'sufficient foreign tax test'.

The value of non-resident royalty payments was combined with the company's taxable income or loss position for the 2016-17 financial year to calculate the change in taxable income. The large company tax rate was applied to the additional taxable income to calculate additional tax revenue received. Projections of the additional revenue take into account growth in company tax and assumed behavioural responses.

Component 4: Non-resident withholding on fixed trusts

The ATO provided a dataset of distributions by trusts to non-residents by payment type for the 2016-17 financial year.

The amount of additional withholding tax was calculated based on the ATO file and the above assumptions.

Estimated additional annual withholding tax revenue was then calculated based on 30 per cent of gross distributions for the 2016-17 financial year. The additional revenue was projected over the 2019-20 Budget forward estimates period taking into account economic growth and the timing of tax collections.

Component 5: Deny deductions for meals and allowances associated with travel to certain jurisdictions

This component is based on ABS data on business travel to affected jurisdictions and ATO determinations on reasonable travel allowances.

These data were used to inform the average travel allowance, the number of trips, the average length of trips, the value of substantiated expenses, and the level of compliance under current policy settings.

The data were used to estimate the amount of revenue expected to be collected under current and proposed policy settings. The costing was derived by calculating the difference in revenue under these two scenarios.

The modelling takes into account the timing of tax collections.

Departmental expenses were estimated based on amounts allocated to the ATO for measures with similar administrative complexity.

Component 6: Deny deductions for travel and professional service expenses in certain jurisdictions

This costing was based on ABS data on business travel to affected jurisdictions.

The data were used to estimate the amount of revenue expected to be collected under current and proposed policy settings. The costing was derived by calculating the difference in revenue under these two scenarios.

The modelling takes into account the timing of tax collections.

Departmental expenses were estimated based on amounts allocated to the ATO for measures with similar administrative complexity.

All components

For Components 1, 3 and 4, estimates have been rounded to the nearest $10 million. For Component 2 revenue estimates have been rounded to the nearest $1 million. For Components 5 and 6, revenue estimates have been rounded to the nearest $100,000 and departmental expense estimates have been rounded to the nearest $1 million.

Data sources

The Australian Taxation Office provided de-identified company tax return data and international dealings schedule data for the 2012-13 to 2016-17 income years.

The Australian Taxation Office provided a complete dataset of non-resident royalty payments by significant global entities for the 2016-17 and 2017-18 financial years.

The Australian Taxation Office provided a dataset of non-resident trust fund payments and withholdings for the 2016-17 financial year.

The Treasury provided the modelling for the 2018-19 Budget measure *Tax Integrity – thin capitalisation – valuation of assets and treatment of consolidated entities*.

The Treasury provided modelling for the 2012-13 Budget measure *Bad debts – ensuring consistent treatment in related party financing arrangements*.

Company level financial data were extracted from financial statements provided to the Australian Securities Exchange and the New York Stock Exchange.

The Organisation for Economic Cooperation and Development *Tax Database* has been used to determine corporate income tax rates to inform the 'sufficient foreign tax test'.

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Attachment A – Making multinationals pay their fair share – financial implications

Table A1: Making multinationals pay their fair share – Fiscal and underlying cash balances ($m)[a][b]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
Component 1 – Change thin capitalisation rules	*-*	*250.0*	*230.0*	*230.0*	***720.0***
Component 2 – Deny deductions for bad debts to related parties	*-*	*12.0*	*12.0*	*11.0*	***35.0***
Component 3 – Royalty integrity measure	*-*	*320.0*	*170.0*	*180.0*	***680.0***
Component 4 – Non-resident withholding on fixed trusts	*-*	*-*	*40.0*	*40.0*	***80.0***
Component 5 – Deny deductions for meals and allowances associated with travel to certain jurisdictions	*-*	*3.3*	*3.3*	*3.4*	***10.0***
Component 6 – Deny deductions for travel and professional service expenses in certain jurisdictions	*-*	*7.2*	*7.4*	*7.5*	***22.1***
Total – revenue	**-**	**592.5**	**462.7**	**471.9**	**1,547.1**
Expenses					
Departmental					
Component 5 – Deny deductions for meals and allowances associated with travel to certain jurisdictions	*-1.0*	*-*	*-*	*-*	***-1.0***
Component 6 – Deny deductions for travel and professional service expenses in certain jurisdictions	*-1.0*	*-*	*-*	*-*	***-1.0***
Total – expenses	***-2.0***	**-**	**-**	**-**	**-2.0**
Total	**-2.0**	**592.5**	**462.7**	**471.9**	**1,545.1**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Negative gearing and capital gains tax (CGT) reform	
Party:	Australian Labor Party

Summary of proposal:

The proposal has two components.

- Component 1 – Remove negative gearing
  - This component would remove negative gearing arrangements (which allow deductions for investment losses to be made against non-investment income) for all non-business investment assets held by individuals, superannuation funds, partnerships, trusts and companies, but allow these taxpayers to negatively gear non-business-related investments in the construction and purchase of new dwellings.
    - In removing negative gearing any investment losses could still be used to offset any investment gains in the same financial year, regardless of asset class.
    - Within-year non-business investment losses could be accumulated and used to offset any future capital gain made on these assets.
- Component 2 – Halve the capital gains tax discount
  - This component would change the capital gains tax discount for individuals, partnerships and trusts from 50 per cent after a 12-month holding period to 25 per cent after a 12-month holding period.
    - There would be no changes to the existing capital gains tax discount that applies to superannuation funds, or to the 50 per cent active asset reduction concession that applies to small business.

The proposal would have effect from 1 January 2020. The proposal would only apply to assets purchased or investments made on or after the date of implementation.

Costing overview

Policy background

Negative gearing

Under current policy settings, income from investments, such as rent, dividends or interest, form a part of taxable income. Investment-related expenses, such as interest, council rates, depreciation and maintenance costs, are mostly deductible from taxable income. Where these deductions exceed the value of investment income, they can be used to offset non-investment income, such as salary and wages. For the purpose of this costing, ‘negative gearing’ refers to a situation where investment-related deductions exceed the total value of investment-related income (a ‘net investment loss’).

With the exception of net investment losses attributable to investment in the construction and purchase of new dwellings, the proposal would end the tax deductibility of negative gearing by limiting investment-related deductions (including, but not limited to, interest, council rates, depreciation and maintenance costs) to the total value of investment-related income. The taxable income of some negatively-geared investors would increase as a result of the proposal, meaning there would be an increase in tax receipts. Investors would be able to use these denied deductions to offset any future capital gains, which would reduce future capital gains tax receipts.

Capital gains tax discount

The capital gain from an investment is the difference between the proceeds from the sale of the investment and the cost base of the investment (which is generally the purchase price plus any transaction costs associated with the purchase). Through the capital gains tax, capital gains adjusted for the capital gains tax discount are added to taxable income and taxed at the investor's marginal tax rate. Under current policy settings, the capital gains tax discount for individuals, partnerships and trusts applies at a rate of 50 per cent of the capital gain where investments are held by the individual for at least 12 months.

The proposal would reduce the capital gains tax discount to 25 per cent. This means that the taxable value of a capital gain on an asset held for more than 12 months would be increased to 75 per cent (rather than 50 per cent) of the value of the capital gain. This would result in an increase in taxable income for individuals eligible for the capital gains tax discount, and therefore an increase in tax receipts.

Financial implications

The proposal would be expected to increase the fiscal and underlying cash balances by $2,783 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in revenue of $2,800 million, partially offset by an increase in departmental expenses of $17 million over this period.

The proposal would have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period. Revenue would be expected to grow significantly as the proposal matures and the proportion of assets covered by the grandfathering provisions (that is, purchased prior to 1 January 2020) eventually declines to zero. The detailed financial implications of the proposal over the period to 2029-30 are included at Attachment A.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-5	292	897	1,599	**2,783**
Underlying cash balance	-5	292	897	1,599	**2,783**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

The increase in departmental expenses associated with the proposal would allow the Australian Taxation Office (ATO) to make systems changes, conduct information campaigns, and undertake compliance activities.

Uncertainties

The costing is subject to significant uncertainties, outlined as follows.[1]

- The costing is highly sensitive to key parameters used as inputs. These include, but are not limited to, the level of investment in, the net investment income derived from, and the holding times for negatively-geared dwellings. These inputs have been based on historical information and budget parameters, and can change significantly from year to year due to changes in economic conditions.
- There is uncertainty in the growth of the components of net investment income and capital gains. Periods of lower house price growth and lower turnover would reduce the financial implications of the costing.
- There is uncertainty surrounding the behavioural responses to the proposal, such as individuals investing more in new, rather than existing, dwellings, holding grandfathered properties for longer, or reducing their overall level of investment in housing. Such responses could have a significant impact on the financial implications of the proposal.
- There may be behavioural impacts in the transition to the new arrangements, such as investors bringing forward purchases of assets to take advantage of grandfathering provisions. The magnitude of such behavioural responses is highly uncertain but could have a material impact on the revenue raised from the proposal in the years around its proposed implementation.
- The proposal may have broader macroeconomic implications, including changes to the levels and growth rates of asset prices and rents. As the timing and magnitude of these impacts are highly uncertain, they have not been taken into account.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

Growth rates

- Capital gains tax assets and net rental incomes grow, on average, in line with growth in nominal gross domestic product.

Asset holding times

- The average holding time for negatively-geared investment properties is around seven years.
- The average holding time for assets affected by the capital gains tax discount component, which includes other asset classes, is just under nine years.
- Assets affected by the negative gearing and capital gains tax policy proposal are disposed over a maximum period of 20 years.[2]

[1] There are inherent uncertainties in all policy costings, regardless of who produces them. For a more detailed discussion of the nature and sources of these uncertainties, see PBO information paper no. 01/2017, *Factors influencing the reliability of policy proposal costings.*

[2] The asset holding time profile assumptions have been based on an examination of ATO rental income schedules, the Australian Bureau of Statistics (ABS) *Survey of Income and Housing*, and the 2012 *Australian Share Ownership Study*, conducted by the Australian Securities Exchange.

Behavioural responses

- Bring-forward of asset purchases: some taxpayers would bring forward the purchase of assets affected by the negative gearing and capital gains tax policy proposals to before the implementation date to take advantage of the grandfathering provisions that would apply to assets purchased before this date.
  - 20 per cent of affected asset purchases in the first year following the implementation date would be brought forward to prior to the implementation date, and 10 per cent of affected asset purchases in the second year following the implementation date would be brought forward to prior to the implementation date.
  - In absence of these behavioural responses, the financial implications of the proposal would be around 3 per cent higher over the period to 2029-30.
- Investment in new dwellings: the proportion of negatively-geared investment by individuals in new dwellings would increase from 22 per cent in the first year following the implementation date to around 30 per cent in 2029-30.
  - The above assumption is based on owner-occupier housing finance data (ABS 5609.0 – *Housing Finance*) over the past decade, unpublished Reserve Bank of Australia estimates and information from Mortgage Choice's annual *Investor Survey*.
  - The increase in the share of investments in new dwellings takes into account the incentive under the proposal for individuals who would otherwise invest in existing dwellings to invest in the construction or purchase of new dwellings. The extent to which this would occur would depend on, among other things, the number of new dwellings compared with established dwellings.
    - The PBO has examined projections of dwelling completions from the *National Housing Supply Council: Housing Supply and Affordability – Key indicators 2012*, which suggest that this increase in demand for new dwellings could be met by the projected supply.
  - In the absence of this behavioural response, the financial implications of the negative gearing component would be around 8 per cent higher over the period to 2029-30.
  - If this behavioural response was stronger, with the proportion of negatively-geared investment in new dwellings by individuals increasing to 40 per cent by 2029-30, the financial implications of the negative gearing component would be around 12 per cent lower over the period to 2029-30.
- Alternative investments: individuals would increase the use of alternative mechanisms, such as other tax concessions or deductions, to reduce their tax liabilities, noting that such responses do not completely offset the revenue gain in all cases. Income elasticities have been used to incorporate this range of potential behavioural responses.
  - Individuals affected by the negative gearing component are expected to have a taxable income elasticity of 0.2.[3] In the absence of this behavioural response, the financial implications of the negative gearing component would be around 13 per cent higher over the period to 2029-30.

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[3] A taxable income elasticity is a measure of the responsiveness of taxable income to changes in tax rates. It measures the proportionate change in declared taxable income resulting from a proportional change in the net-of-tax rate (one minus the marginal tax rate). An elasticity of 0.2 means that if an increase in a marginal tax rate leads to a 1 per cent decrease in the net-of-tax rate, there will be a 0.2 per cent decrease in taxable income.

- Individuals affected by the capital gains tax discount component are expected to have a capital income elasticity of 0.3.[4] In the absence of this behavioural response, the financial implications of the capital gains tax discount component would be around 14 per cent higher over the period to 2029-30.

- Total impact of behavioural responses: in the absence of all behavioural responses incorporated into the costing, the financial implications of the proposal would be around 25 per cent higher over the period to 2029-30.

Methodology

Component 1 – Remove negative gearing

- The costing of this component was based on a 16 per cent sample of de-identified personal income tax and superannuation returns for 2016-17, as well as tax schedules for partnerships, trusts and superannuation funds (including self-managed superannuation funds).
- These data were used to estimate the baseline amount by which negative gearing would be expected to decrease taxable income for individuals and funds, including through distributions from partnerships and trusts, over the period to 2029-30.
  - The baseline amount of negative gearing was adjusted in each year over the period to 2029-30 to take into account the grandfathering provisions, the proportion of negative gearing relating to the construction and purchase of new dwellings, and the behavioural responses identified above. The change in tax revenue from the proposal was then calculated using this adjusted amount.
- Where the proposal would result in negative gearing deductions being denied, capital gains tax estimates were adjusted to take account of the carry forward of negative gearing losses offsetting capital gains.
  - This reduces the revenue from the negative gearing component, particularly towards the end of the period to 2029-30, when most of the properties purchased after the implementation date begin to be sold.

Component 2 – Halve the capital gains tax discount

- The expected revenue collections were calculated with the current discount (the base scenario) and with the proposed discount.
  - The amount of assessable income from capital gains was estimated for each year from 2019-20 to 2029-30, based on current revenue estimates and projections of capital gains tax.
  - This amount was adjusted in each year to take into account the grandfathering of the proposal and the behavioural responses identified above. It was adjusted further to reflect the proportion of income from capital gains claimed by small businesses in 2016-17 to account for the maintenance of the small business active asset reduction concession.
  - An average marginal tax rate for individuals reporting net capital gains was estimated based on historical tax data, expected future income growth and announced future changes to tax rates.

[4] The values are consistent with the wider empirical literature across advanced economies, where the average estimate of taxable income elasticities is close to 0.2, with higher elasticities estimated for capital income; see, for instance, Klemm, A., Liu, L., Mylonas, V. and Wingender, P., 2018, *Are Elasticities of Taxable Income Rising?*, International Monetary Fund.

Interactions

- To estimate the interaction between the negative gearing component and the capital gains tax component, the impact of removing negative gearing was calculated against two different baselines: a capital gains tax discount of 50 per cent, and a capital gains tax discount of 25 per cent. The interaction was estimated as the difference between these two impacts.
  - The decrease in the capital gains tax discount means that negative gearing deductions denied and carried forward are able to offset more capital gains tax. Thus, there is a negative interaction between the components, as shown in Attachment A.

General methodology

- This costing has taken into account the timing of tax collections.
- Departmental expenses were estimated based on an analysis of previous policies with similar administrative complexity.
- Estimates of revenue have been rounded to the nearest $100 million.
- Departmental expense estimates have been rounded to the nearest $1 million.

Data sources

The ATO provided:

- 2016-17 de-identified personal income tax and superannuation data
- 2016-17 de-identified partnership, trust, fund and self-managed superannuation fund unit record files
- 2016-17 capital gains tax schedule data
- rental income schedules (1999-2000 to 2010-11).

The Treasury provided the economic and policy parameters, and capital gains tax and net rental income forecasts as at the 2019-20 Pre-election Economic and Fiscal Outlook.

ABS, *5609.0 – Housing Finance*, Australia.

ABS, *Survey of Income and Housing 2009-10,* confidentialised unit record files.

Australian Government, The Treasury, 2019. *2018 Tax Benchmarks and Variations Statement*, The Treasury, Canberra.

Australian Securities Exchange, 2012. *Australian Share Ownership Study*.

ATO, *Taxation Statistics 2016-17*.

Emrath, P., 2009. *How Long Buyers Remain in their Homes*, National Association of Home Builders.

HM Revenue and Customs, 2012. *The Exchequer effect of the 50 per cent additional rate of income tax*, London: HM Revenue and Customs.

Klemm, A., Liu, L., Mylonas, V. and Wingender, P., 2018. *Are Elasticities of Taxable Income Rising?,* International Monetary Fund.

Investors favouring old properties over new. [Online] *Available at:* https://www.mortgagechoice.com.au/about-us/media-centre/media-releases/investors-favouring-old-properties-over-new/ [accessed 24 May 2019].

The National Housing Supply Council, 2012. *Housing Supply and Affordability – Key Indicators, 2012*.

Reserve Bank of Australia (RBA), unpublished estimates regarding lending to households for residential property investment.

Attachment A – Negative gearing and capital gains tax reform – financial implications

Table A1: Negative gearing and capital gains tax reform – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Revenue													
Component 1 – Remove negative gearing	*..*	*300*	*800*	*1,400*	*2,000*	*2,500*	*2,700*	*3,000*	*3,200*	*3,400*	*3,500*	***2,500***	***22,600***
Component 2 – Halve the capital gains tax discount	*-*	*-*	*100*	*200*	*500*	*800*	*1,200*	*1,600*	*2,100*	*2,600*	*3,100*	***300***	***12,100***
Interactions	*-*	*-*	*..*	*..*	*-100*	*-100*	*-200*	*-300*	*-400*	*-500*	*-700*	***..***	***-2,200***
Total – revenue	**-**	**300**	**900**	**1,600**	**2,400**	**3,200**	**3,700**	**4,300**	**4,900**	**5,500**	**5,900**	**2,800**	**32,500**
Expenses													
Departmental													
Component 1 – Remove negative gearing	*-3*	*-5*	*-3*	*-1*	*-1*	*-1*	*-1*	*-1*	*-1*	*-1*	*-1*	***-12***	***-19***
Component 2 – Halve the capital gains tax discount	*-2*	*-3*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	***-5***	***-5***
Total – expenses	**-5**	**-8**	**-3**	**-1**	**-1**	**-1**	**-1**	**-1**	**-1**	**-1**	**-1**	**-17**	**-24**
Total	**-5**	**292**	**897**	**1,599**	**2,399**	**3,199**	**3,699**	**4,299**	**4,899**	**5,499**	**5,899**	**2,783**	**32,476**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Preventing direct borrowing by superannuation funds	
Party:	Australian Labor Party
Summary of proposal: This proposal would prohibit superannuation funds from entering into limited recourse borrowing arrangements (LRBAs). Rules for other borrowing arrangements currently allowed under superannuation law (such as for short term liquidity purposes) would be unchanged. This proposal would have effect from 1 July 2019, and would only apply to new LRBAs.	

Costing overview

Policy background

Limited recourse borrowing arrangements allow superannuation funds to borrow money through a separate trust in order to purchase a single asset, such as a real estate property or a parcel of shares.[1] If the loan defaults, the lender's rights are limited to the asset held in the separate trust. This means there is no recourse to the other assets held in the superannuation fund. This proposal would prohibit superannuation funds from entering into new LRBAs.

The 2017-18 Budget measure *Superannuation – integrity of limited recourse borrowing arrangements* would require superannuation members to include the use of LRBAs as part of their total superannuation balance and transfer balance cap. This measure would be expected to interact strongly with the proposal.

Financial impact

The proposal would be expected to increase the fiscal and underlying cash balances by $6 million over the 2019-20 Budget forward estimates period. This reflects a net increase in revenue, as a result of a decrease in the interest deductions claimed by superannuation funds (a positive revenue impact), partially offset by a reduction in tax from lower superannuation earnings due to a lower level of assets held by funds.

The proposal would not be expected to affect departmental expenses as it would not involve significant changes to the administrative complexity of the tax and superannuation system.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period, which would be expected to grow significantly as the proposal matures.

[1] These arrangements are predominately used by self-managed superannuation funds; see Reserve Bank of Australia 2014, *Supplementary Submission to the Financial System Inquiry*, p.20.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	1	2	3	**6**
Underlying cash balance	-	1	2	3	**6**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Uncertainties

This costing is extremely sensitive to changes in interest rates and the return on invested capital. As such, the magnitude and direction of the financial implications are highly uncertain. There are also significant uncertainties around the extent to which the 2017-18 Budget measure would affect the use of LRBAs by superannuation funds.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

Behavioural responses

- Some self-managed superannuation funds (SMSFs) would reduce their LRBA assets and borrowings in response to the recent policy changes to include the use of LRBAs in a member's total superannuation balance and transfer balance cap.
  - This is based on evidence from the Australian Taxation Office's (ATO) *Self-managed super fund quarterly statistical report – December 2018*, which shows that the growth of LRBA assets has slowed dramatically since the commencement of the measure to include LRBAs in the transfer balance cap from 1 July 2017.
- Some SMSFs would utilise alternative investment strategies in response to this proposal, some of which would have preferential tax treatment.
- In the absence of these behavioural responses, the estimated financial implications of this proposal would be around 70 per cent higher over the 2019-20 Budget forward estimates period.

General

- The proposal would have no material impact on Australian Prudential Regulation Authority (APRA) regulated funds.
  - This reflects the fact that LRBAs are predominately used by SMSFs.
- Interest rates and the return on assets would reflect historical data specific to SMSFs and their use of LRBAs, as well as current market conditions.
- There would be no significant bring-forward of borrowing by superannuation funds in response to this policy.

Methodology

- The assets, liabilities, income and interest expenses related to LRBAs were taken from the 2016-17 SMSF returns. These items were projected forward based on assumptions around the historical growth of SMSF assets, interest rates and the return on assets.
- The costing was estimated as the change in revenue resulting from disallowing superannuation funds from entering into new LRBAs, accounting for the behavioural responses outlined above.
- The costing has accounted for the timing of tax collections.
- Revenue estimates have been rounded to the nearest $1 million.

Data sources

The ATO provided a 100 per cent file of de-identified SMSF returns for the 2016-17 tax year.

APRA, 2018. *Annual Superannuation Bulletin*, APRA, Sydney.

ATO, 2018. *Self-managed super fund quarterly statistical report – December 2018*.

Australian Government, 2014. *Financial System Inquiry – Final Report*, Australian Government, Canberra.

Reserve Bank of Australia, 2014. *Supplementary Submission to the Financial System Inquiry*, Reserve Bank of Australia, Sydney.

Attachment A – Preventing direct borrowing by superannuation funds – financial implications

Table A1: Preventing direct borrowing by superannuation funds – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Revenue	-	*1*	*2*	*3*	***6***
Total – revenue	**-**	**1**	**2**	**3**	**6**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Reforming dividend imputation	
Party:	Australian Labor Party
Summary of proposal: The proposal would change the tax treatment of franking credits attached to distributions (otherwise known as imputation credits) from a refundable tax offset to a non-refundable tax offset. Under the proposal, franking credits would be able to reduce an individual's personal income tax liability (including Medicare levy liability) to zero. The proposal would apply to individuals and superannuation funds, except for recipients of Australian Government pensions and allowances with individual shareholdings, and self-managed superannuation funds with at least one member who was an Australian Government pension or allowance recipient before 28 March 2018. The proposal would have effect from 1 July 2019.	

Costing overview

Policy background

Dividend imputation applies to some Australian-source dividend income, reducing the amount of income tax paid by Australian resident shareholders.

Under the dividend imputation system, Australian resident companies that distribute dividends from after-tax profits have the option of passing on franking credits (also known as imputation credits) to their shareholders, attached to the dividends they receive. This provides shareholders with a credit for the tax that a company has paid on its profits.

Shareholders include an amount equal to the franking credit attached to their dividend in their assessable income for tax purposes. Australian residents and complying superannuation funds are entitled to claim a tax offset equal to the amount of franking credits included in their income.

This franking credit can be used to reduce a taxpayer's tax liability from all forms of income, although non-refundable offsets do not reduce a taxpayer's Medicare levy liability. Currently, any excess franking credits are refunded to the taxpayer by the Australian Taxation Office (ATO).

Under the proposal, franking credits would become non-refundable for individuals who do not receive an Australian Government pension or allowance, and for superannuation funds, except for self-managed superannuation funds with at least one member who was a recipient of an Australian Government pension or allowance recipient before 28 March 2018. Under the proposal, franking credits would be able to reduce an individual's personal income tax liability, including Medicare levy liability, to zero.

Financial impact

The proposal would be expected to increase the fiscal and underlying cash balances by $14,297 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in revenue of $14,300 million, partially offset by an increase in departmental expenses of $3 million over this period.

The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period. The detailed financial implications of the proposal over the period to 2029-30 are included at Attachment A.

Table 1: Financial implications ($m)[(a)(b)]

	2019-20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-103	4,400	4,800	5,100	**14,297**
Underlying cash balance	-103	4,400	4,800	5,100	**14,297**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Uncertainties in the costing

The costing is subject to uncertainties surrounding income and population growth rates, changes in the number of individuals and superannuation funds with excess franking credits, changes to dividend payout ratios, relative returns between asset classes, preferences of self-managed superannuation fund account holders, volatility in the earnings of companies that pay franked distributions, and behavioural responses to superannuation measures that generally applied from 1 July 2017. At this point, data that reflect the superannuation changes applying from 1 July 2017 are not yet available. There are also significant uncertainties around the behavioural responses of affected individuals, superannuation funds and companies to the proposal.[1]

The costing incorporates the effect of all existing government policies. These include the planned reductions in personal income tax and company tax (including the 2019-20 Budget measure *Lower taxes for hard working Australians: Building on the Personal Income Tax Plan* and the 2018-19 Mid-Year Economic and Fiscal Outlook (MYEFO) measures *Company Tax – not proceeding with tax reductions for large companies* and *Small Business Package – lower taxes for small and medium businesses*), changes to age pension asset test thresholds, and the transfer balance cap of $1.6 million for pension phase superannuation accounts.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

Behavioural responses

- Individuals and superannuation funds that are affected will respond to the proposal in order to reduce its impact.

[1] There are inherent uncertainties in all policy costings, regardless of who produces them. For a more detailed discussion of the nature and sources of these uncertainties, see PBO information paper no. 01/2017, *Factors influencing the reliability of policy proposal costings.*

- For individuals, potential behavioural responses could include shifting from shares to alternative investment arrangements (including to investments within superannuation), and couples shifting the ownership of shares from the lower income earner to the higher income earner such that the higher income earner can use the franking credits as a non-refundable tax offset.
- For superannuation funds, potential behavioural responses could include rolling assets from a fund with negative net tax to a fund with positive net tax (including from a self-managed superannuation fund to an APRA-regulated fund), changing funds' asset portfolio allocations, or changing the membership structure of the fund, in order to maximise the utilisation of franking credits.
- In the absence of a behavioural response from individuals and superannuation funds, the expected revenue gain from the proposal would be around 18 per cent ($10.7 billion) higher over the period to 2029-30.

- Some companies would bring forward the payment of dividends that would have been paid in the 2019-20 financial year to the 2018-19 financial year to limit the impact of the proposal on their shareholders.
  - This behavioural response leads to a relatively small reduction in revenue in both 2019-20 and 2020-21.
  - In addition to this one-off behavioural response, companies may also respond to the proposal by changing the amount of dividends distributed (and profits withheld) or by entering into more aggressive tax planning and paying more unfranked dividends due to the decrease in the value of franking credits for some shareholders.
    - This behavioural response has not been separately incorporated into this costing as the size and direction of the revenue impact is highly uncertain.

Age pension eligibility and payments

- The exemption applying to pensioners would increase the incentives for individuals to draw down on their assets in order to qualify for the age pension. The impact of this would be expected to be small and has been rounded to zero.
  - There are already strong incentives for individuals to reduce their assets in order to qualify for the age pension, particularly for those with assets just above the threshold for the age pension asset test. For most individuals affected, the proposal would have little impact on these incentives.
  - While some individuals may choose to reduce their assets and qualify for the age pension as a result of the proposal, this would be unlikely to materially affect the costing.
- The impact on payments to Australian Government pension and other income support recipients due to changing the tax treatment of franking credits would not be significant over the period to 2029-30.
  - Over the longer term, the proposal may lead to changes in assets held directly by (or through the superannuation accounts of) individuals, which may subsequently result in a change in means-tested payments. The PBO does not expect this impact to be significant over the time period examined.

Methodology

- The costing was based on a 16 per cent sample of de-identified personal income tax and superannuation returns (including self-managed superannuation funds) for the 2016-17 financial year.
- The data were used to estimate the total excess franking credits issued to individuals and superannuation funds that would be denied under the proposal, incorporating the pensioner exemptions and allowing franking credits to offset the Medicare levy liability. Adjustments to the base data were made to account for the transfer balance cap applying to superannuation accounts with balances exceeding $1.6 million and other relevant policies not in place in 2016-17.
- The adjusted data were projected over the period to 2029-30, taking into account the scheduled changes to personal income tax and company tax, and the assumed behavioural responses outlined above.
- The modelling has taken into account the timing of tax collections.
- Departmental expenses were estimated based on amounts allocated to the ATO for measures with similar administrative complexity.
- Revenue estimates have been rounded to the nearest $100 million. Departmental expense estimates have been rounded to the nearest $1 million.

Data sources

The ATO provided a 16 per cent sample of de-identified personal income tax returns for the 2016-17 financial year and the complete file of tax returns for superannuation funds (including self-managed superannuation funds) for the 2016-17 financial year.

The Treasury provided economic forecasts for personal and superannuation tax as at the 2019 Pre-election Economic and Fiscal Outlook.

RiceWarner, 2018. *Superannuation Market Projections*, Sydney: Ricewarner.

Attachment A – Reforming dividend imputation – financial implications

Table A1: Reforming dividend imputation – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Revenue													
Superannuation funds	*-100*	*2,500*	*2,800*	*3,000*	*3,200*	*3,400*	*3,700*	*3,900*	*4,100*	*4,400*	*4,600*	***8,300***	***35,600***
Individuals	*..*	*1,900*	*2,000*	*2,100*	*2,200*	*2,200*	*2,400*	*2,400*	*2,400*	*2,500*	*2,500*	***6,000***	***22,600***
Total – revenue	**-100**	**4,400**	**4,800**	**5,100**	**5,400**	**5,600**	**6,100**	**6,300**	**6,500**	**6,900**	**7,100**	**14,300**	**58,200**
Expenses													
Departmental													
Australian Taxation Office	*-3*	-	-	-	-	-	-	-	-	-	-	***-3***	***-3***
Total – expenses	**-3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-3**	**-3**
Total	**-103**	**4,400**	**4,800**	**5,100**	**5,400**	**5,600**	**6,100**	**6,300**	**6,500**	**6,900**	**7,100**	**14,297**	**58,197**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Superannuation reforms	
Party:	Australian Labor Party
Summary of proposal: The proposal would make the following amendments to superannuation. • Component 1: Reduce the non-concessional contributions cap from $100,000 to $75,000 and index the cap as per current arrangements. • Component 2: Reduce the Division 293 threshold from $250,000 to $200,000. • Component 3: Individuals would no longer be able to carry forward the unused portion of the concessional superannuation contributions cap to future years. • Component 4: Individuals who do not meet the 10 per cent income test for personal superannuation contributions (which applied prior to 1 July 2017) would no longer be able to claim a tax deduction for personal superannuation contributions. Components 1 to 3 would commence on 1 July 2019. Component 4 would commence on 1 July 2020.	

Costing overview

This proposal would be expected to increase the fiscal balance by $5,529 million and underlying cash balance by $5,429 million over the 2019-20 Budget forward estimates period. The fiscal balance impact reflects an increase in revenue of $5,550 million, partially offset by an increase in departmental expenses of $21 million over this period. The underlying cash balance impact reflects an increase in revenue of $5,450 million, partially offset by an increase in departmental expenses of $21 million over this period.

The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period. The detailed financial implications over the period to 2029-30 are provided at Attachment A.

The fiscal balance impact of this proposal differs from the underlying cash balance impact as a result of the proposal to lower the Division 293 threshold. As the liability for the extra tax on contributions for some members of defined benefit superannuation schemes is deferred until a superannuation benefit is paid, the fiscal balance impact from these individuals occurs in the year in which the superannuation contributions are made, while the underlying cash balance impact is deferred until the actual payment date of the additional tax.

Table 1: Financial implications ($m)[a][b]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	271	336	2,156	2,756	**5,529**
Underlying cash balance	271	336	2,156	2,656	**5,429**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

The costing is subject to uncertainties surrounding income (particularly wages) and population growth, volatility in superannuation earnings, and behavioural responses to recent superannuation and personal income tax measures, which affect the baseline estimates for this costing. There is also uncertainty around how individuals would change their behaviour in response to the proposal.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

Savings

- Individuals would save the same amount of pre-tax income under the proposal as they would under current arrangements. There would be no material change in household consumption.
  - Where individuals are unable to save as much in superannuation they would save this amount outside superannuation.
    - Superannuation contributions diverted to alternative savings, and the earnings on these savings, are taxed at average marginal tax rates.
    - Post-tax savings are lower under the proposal due to the higher tax treatment of savings outside of superannuation.
- Pre-tax investment returns are the same for assets held inside and outside the superannuation system.

Flow-on effects on the Age Pension

- There would be no flow-on effects to outlays on the Age Pension over the period to 2029-30.
  - The reduction in post-tax savings may result in increased reliance on the Age Pension, but the impact of this over the period to 2029-30 is likely to be small and has not been included in the costing. Beyond this period, there may be a more significant impact on Age Pension outlays.

Behavioural responses

- Component 1: A bring-forward of non-concessional contributions from 2019-20 to 2018-19 would not have a material impact on the costing.
- Component 2: Individuals with income[1] between the proposed Division 293 threshold ($200,000) and the current threshold ($250,000) would reduce their voluntary concessional contributions by 10 per cent, since the proposal would make superannuation less concessional for these people.
  - In the absence of this behavioural response, the financial implications of this component would be expected to be around 7 per cent lower over the period to 2029-30.
- Component 3: Individuals who made superannuation contributions up to the concessional contributions cap in 2016-17 (the base year of data), but with space in their cap over a five-year period, would have increased their concessional contributions if catch-up contributions had been allowed in 2016-17.
  - This behavioural adjustment to the base data was necessary because catch-up concessional contributions were not allowed until 2018-19.
  - A bring-forward of concessional contributions from 2019-20 to 2018-19 would not have a material impact on the costing.
- Component 4: Some individuals who had no access to voluntary contributions in 2016-17 would have made deductible personal superannuation contributions had these been allowed in 2016-17.
  - An amount was imputed based on the behaviour of similar individuals who had access to voluntary superannuation contributions in 2016-17.
  - This behavioural adjustment to the base data was necessary because deductible personal superannuation contributions for all individuals up to the age of 75 were not allowed until 2017-18.
  - A bring-forward of voluntary contributions from 2020-21 to 2019-20 would not have a material impact on the costing.

Methodology

- The modelling is based on de-identified personal income tax and superannuation returns for 2016-17, supplemented by pay-as-you-go payment summaries.
- Revenue was projected for each year over the period to 2029-30 under a baseline scenario, under each component, and under the entire package.
  - Each component's budgetary implications were calculated relative to the baseline scenario.
  - The budgetary implications of the entire package are not equal to the sum of the individual components due to interactions between particular components.
- Behavioural responses were incorporated, reflecting the assumptions above.
- Departmental expense estimates are based on past departmental expenses for policies with similar administrative complexity.
- The modelling has taken into account the timing of tax collections.

[1] Income for the purpose of the Division 293 tax includes taxable income, reportable fringe benefits, reportable superannuation contributions, net financial investment losses, and net rental property losses.

- Estimates of revenue for Components 2, 3 and 4 have been rounded to the nearest $100 million. Estimates of revenue for Component 1 and the interactions between the components have been rounded to the nearest $10 million. Estimates of departmental expenses have been rounded to the nearest $1 million.

Data sources

The Australian Taxation Office provided:

- a de-identified 16 per cent sample of personal income tax and superannuation returns from the 2016-17 tax year
- pay-as-you-go payment summaries for 2016-17.

Treasury provided economic forecasts for personal income and superannuation tax as at the 2019 Pre-election Economic and Fiscal Outlook.

Attachment A – Superannuation reforms – financial implications

Table A1: Superannuation reforms – Fiscal balance ($m)(a)(b)

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Revenue													
Component 1: Reduce non-concessional contributions cap	*-10*	*..*	*40*	*80*	*120*	*160*	*200*	*250*	*310*	*380*	*450*	***120***	***2,000***
Component 2: Reduce Division 293 threshold	*..*	*400*	*800*	*1,000*	*1,100*	*1,200*	*1,400*	*1,500*	*1,700*	*1,900*	*2,100*	***2,200***	***13,200***
Component 3: No carry-forward of concessional contributions	*300*	*500*	*700*	*900*	*1,000*	*1,000*	*1,000*	*1,100*	*1,200*	*1,300*	*1,400*	***2,400***	***10,400***
Component 4: No tax deductions for personal superannuation contributions	*-*	*-400*	*800*	*1,000*	*800*	*900*	*800*	*800*	*800*	*900*	*900*	***1,400***	***7,300***
Interactions	*-10*	*-160*	*-180*	*-220*	*-230*	*-230*	*-230*	*-250*	*-240*	*-260*	*-290*	***-570***	***-2,300***
Total – revenue	**280**	**340**	**2,160**	**2,760**	**2,790**	**3,030**	**3,170**	**3,400**	**3,770**	**4,220**	**4,560**	**5,550**	**30,600**
Expenses													
Departmental													
Component 2: Reduce Division 293 threshold	*-4*	*-4*	*-4*	*-4*	*-4*	*-4*	*-4*	*-4*	*-4*	*-4*	*-4*	***-16***	***-44***
Component 3: No carry-forward of concessional contributions	*-5*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	***-5***	***-5***
Total – expenses	**-9**	**-4**	**-4**	**-4**	**-4**	**-4**	**-4**	**-4**	**-4**	**-4**	**-4**	**-21**	**-49**
Total	**271**	**336**	**2,156**	**2,756**	**2,786**	**3,026**	**3,166**	**3,396**	**3,766**	**4,216**	**4,556**	**5,529**	**30,551**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Table A2: Superannuation reforms – Underlying cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Receipts													
Component 1: Reduce non-concessional contributions cap	*-10*	*..*	*40*	*80*	*120*	*160*	*200*	*250*	*310*	*380*	*450*	***120***	***2,000***
Component 2: Reduce Division 293 threshold	*..*	*400*	*800*	*900*	*1,000*	*1,200*	*1,300*	*1,400*	*1,600*	*1,800*	*2,000*	***2,100***	***12,400***
Component 3: No carry-forward of concessional contributions	*300*	*500*	*700*	*900*	*1,000*	*1,000*	*1,000*	*1,100*	*1,200*	*1,300*	*1,400*	***2,400***	***10,400***
Component 4: No tax deductions for personal superannuation contributions	*-*	*-400*	*800*	*1,000*	*800*	*900*	*800*	*800*	*800*	*900*	*900*	***1,400***	***7,300***
Interactions	*-10*	*-160*	*-180*	*-220*	*-230*	*-230*	*-230*	*-250*	*-240*	*-260*	*-290*	***-570***	***-2,300***
Total – receipts	**280**	**340**	**2,160**	**2,660**	**2,690**	**3,030**	**3,070**	**3,300**	**3,670**	**4,120**	**4,460**	**5,450**	**29,800**
Payments													
Departmental													
Component 2: Reduce Division 293 threshold	*-4*	*-4*	*-4*	*-4*	*-4*	*-4*	*-4*	*-4*	*-4*	*-4*	*-4*	***-16***	***-44***
Component 3: No carry-forward of concessional contributions	*-5*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	***-5***	***-5***
Total – payments	**-9**	**-4**	**-4**	**-4**	**-4**	**-4**	**-4**	**-4**	**-4**	**-4**	**-4**	**-21**	**-49**
Total	**271**	**336**	**2,156**	**2,656**	**2,686**	**3,026**	**3,066**	**3,296**	**3,666**	**4,116**	**4,456**	**5,429**	**29,751**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Tax integrity package	
Party	Australian Labor Party

Summary of proposal:

The proposal has four components.

- Component 1: Extend the time limit during which the Australian Taxation Office can amend an assessment for non-deliberate offshore tax non-compliance from four years to 12 years after the end of the relevant financial year. The Commissioner of Taxation will also be given the ability to apply an infringement penalty of 12 penalty units for individuals and 60 penalty units for corporate entities for failing to provide information under an offshore infringement notice.
- Component 2: Provide the Commissioner of Taxation with the ability to notify the public of individuals and entities that have committed the tax offences of fraudulent phoenix activity, tax evasion and serious avoidance via tax havens and offshore bank accounts, black economy related tax fraud, and repeated breaches of Part IVA of the *Income Tax Assessment Act 1936* by significant global entities.
- Component 3: Increase Australian Taxation Office penalties in the following circumstances:
  - Increase civil penalties under Division 290 of the *Tax Administration Act 1953.*
  - Allow civil penalties to apply in serious non-compliance cases.
  - Allow the Commissioner of Taxation to apply to the Australian Securities and Investments Commission for disqualification orders for directors caught in successful civil or criminal non-compliance tax-related matters.
  - Increase criminal penalties to the same amounts as civil penalties.
- Component 4: Remove the tax deductibility of facilitation payments to foreign public officials.

The proposal would commence on 1 July 2019.

Costing overview

This proposal would have an unquantifiable impact on the fiscal and underlying cash balances over the 2019-20 Budget forward estimates period. This proposal would be expected to have an ongoing unquantifiable impact that extends beyond the 2019-20 Budget forward estimates period.

The revenue implications of the proposal cannot be quantified as there is insufficient information available relating to each component of the proposal.

Departmental expense implications as a result of the proposal would not be expected to be significant because the proposal would not significantly change the administrative complexity of the tax system.

Table 1: Financial implications ($m)

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	*	*	*	*	*
Underlying cash balance	*	*	*	*	*

* Unquantifiable

Data sources

The Australian Taxation Office has advised that data to quantify the proposal is unavailable.

Parliamentary Budget Office

Policy costing

Budget repair levy	
Party:	Australian Labor Party
Summary of proposal: This proposal would reinstate the budget repair levy at 2 per cent for taxable incomes greater than $180,000 for a period of four years. The proposal would take effect from 1 July 2019 and expire on 1 July 2023. The fringe benefits tax rate would also increase to 49 per cent from 1 April 2019 and would be reduced to 47 per cent on 1 April 2023.	

Costing overview

The proposal would be expected to increase the fiscal and underlying cash balances by $3,800 million over the 2019-20 Budget forward estimates period.

The proposal would not be expected to involve any change in departmental expenses as it would not change the administrative complexity of the taxation system.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	1,100	1,500	1,700	-500	**3,800**
Underlying cash balance	1,100	1,500	1,700	-500	**3,800**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

The proposal would have an impact that extends beyond the 2019-20 Budget forward estimates period. Detailed financial implications for the proposal over the period to 2029-30 are provided in Attachment A.

Taxpayers who would be affected by this proposal are likely to have some form of discretionary income. While the proposal has a 1 July 2019 start date, some individuals affected by the proposal in 2019-20 would be expected to anticipate the re-introduction of the budget repair levy and would bring forward some of their taxable income from the 2019-20 income year into the 2018-19 income year to reduce the impact of the levy. Similarly, some individuals who would be affected by the levy in 2022-23 would be expected to defer the realisation of some of their taxable income to the following income year.

This costing is subject to uncertainties surrounding income and population growth rates, as well as behavioural responses to the proposal. International studies of changes in tax rates for high-income earners have found that when changes are announced before implementation, some individuals make one-off adjustments to the timing of their income in order to minimise exposure to the higher rate of tax.[1]

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- The first quarter of fringe benefits tax revenue in 2019-20 would not be collected, as 1 April 2019 has passed. As such, the fringe benefits tax rate is assumed to be increased from 1 July 2019.
- Some high-income earners would respond to the proposal by adjusting their taxable income in order to reduce the impact of the budget repair levy.
  - Individuals with incomes in excess of $180,000 are assumed to have a taxable income elasticity of 0.2.[2] In the absence of this behavioural response, the estimated financial implications would be around 60 per cent higher over the period to 2029-30.
  - Individuals subject to the budget repair levy in 2019-20 would bring forward 5 per cent of their taxable income from 2019-20 to 2018-19. Similarly, individuals subject to the budget repair levy in 2022-23 would defer 5 per cent of their taxable income to the following income year. In the absence of this behavioural response, the estimated financial implications would be around $150 million higher over the period to 2029-30.
  - Discretionary income that individuals are able to bring forward from 2019-20 to 2018-19 is unlikely to be withheld in the 2018-19 year. As such, the revenue impact from the income brought forward would not arise until individuals lodge their 2018-19 personal income tax returns, which occurs from the 2019-20 financial year.

Methodology

- The financial implications of the proposal were estimated using a 16 per cent sample of de-identified personal income tax and superannuation returns for 2016-17 provided by the Australian Taxation Office (ATO). The data were used to estimate the change in tax payable as a result of this proposal.
- Behavioural responses were incorporated, reflecting the assumption above.
- The modelling has taken into account the timing of tax collections.
- Revenue estimates have been rounded to the nearest $100 million.

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[1] See for instance, HM Revenue and Customs, 2012. *The Exchequer effect of the 50 per cent additional rate of income tax,* London: HM Revenue and Customs.

[2] Taxable income elasticity is a measure of the responsiveness of taxable income to changes in tax rates. It measures the proportional change in declared taxable income resulting from a proportional change in the net-of-tax (one minus the marginal tax rate). An elasticity of 0.2 means that if an increase in marginal tax rate leads to a 1 per cent decrease in the net-of-tax, there will be a 0.2 decrease in taxable income. The value is consistent with the wider empirical literature across advanced economies, where the average estimate of taxable income elasticities is close to 0.2, see for instance, Klemm., Liu, L., Mylonas, V. and Wingender, P., 2018, *Are Elasticities of Taxable Income Rising?,* International Monetary Fund.

Data sources

The ATO provided a de-identified 16 per cent sample of personal income tax and superannuation returns for the 2016-17 year.

The Treasury provided economic forecasts for personal income tax and superannuation as at the 2019 Pre-election Economic and Fiscal Outlook.

HM Revenue and Customs, 2012. *The Exchequer effect of the 50 per cent additional rate of income tax,* London: HM Revenue and Customs.

Klemm, A., Liu L., Mylonas, V. and Wingender, P., 2018. *Are Elasticities of Taxable Income Rising?,* International Monetary Fund.

Attachment A – Budget repair levy – financial implications

Table A1: Budget repair levy – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Revenue													
Individuals tax	*1,100*	*1,500*	*1,700*	*-500*	*1,900*	*600*	..	-	-	-	-	***3,800***	***6,300***
Total	**1,100**	**1,500**	**1,700**	**-500**	**1,900**	**600**	..	**-**	**-**	**-**	**-**	**3,800**	**6,300**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Not proceeding with additional 0.5 per cent efficiency dividend for 2019-20	
Party:	Australian Labor Party
Summary of proposal: The 2019-20 Budget factors in a standard efficiency dividend of 1.0 per cent per annum on departmental appropriations, plus an additional efficiency dividend of 0.5 per cent in 2019-20. This proposal would remove the additional efficiency dividend of 0.5 per cent applied to public sector departmental funding in 2019-20.	

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $523 million over the 2019-20 Budget forward estimates period. This impact is entirely due to an increase in departmental expenses.

The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period. A breakdown of the financial implications of the proposal over the period to 2029-30 is included at Attachment A.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-136	-129	-130	-127	**-523**
Underlying cash balance	-136	-129	-130	-127	**-523**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

Estimates for the current departmental expenditure (by agency) out to 2029-30 were derived by growing 2019-20 Budget estimates from 2023-24 by applicable indexation rates, and then applying the reductions of the annual 1.0 per cent efficiency dividend to agencies that do not have an exemption from the efficiency dividend as at the 2019-20 Budget. These estimates include the additional efficiency dividend of 0.5 percent in 2019-20.

The removal of the additional efficiency dividend in 2019-20 in this proposal was then applied to the departmental funding of public service agencies that do not have an exemption from the efficiency dividend as at the 2019-20 Budget.

Data sources

The Department of Finance provided:

- agency departmental appropriations as at the 2019-20 Budget
- efficiency dividend exemptions as at the 2019-20 Budget
- indexation rates for agencies.

Attachment A – Not proceeding with additional 0.5 per cent efficiency dividend for 2019-20 – financial implications

Table A1: Not proceeding with additional 0.5 per cent efficiency dividend for 2019-20 – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Expenses													
Total – departmental expenses	-136	-129	-130	-127	-128	-129	-130	-131	-132	-133	-134	**-523**	**-1,438**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary Budget Office

Policy costing

Not support Stages 2 and 3 of the Government's unfair tax plan	
Party:	Australian Labor Party

Summary of proposal:

This proposal involves the following components.

- Component 1: Do not proceed with the scheduled decrease in the marginal tax rate from 32.5 per cent to 30 per cent for taxable incomes between $45,000 and $200,000 from 1 July 2024.
- Component 2: Do not proceed with the scheduled removal of the 37 per cent tax bracket and the scheduled increase of the lower threshold for the 45 per cent tax bracket from $180,000 to $200,000 from 1 July 2024.
- Component 3: Do not proceed with the scheduled increase in the upper threshold for the 32.5 per cent marginal tax rate from $90,000 to $120,000 from 1 July 2022.
- Component 4: Do not proceed with the scheduled increase in the upper threshold for the 19 per cent marginal tax rate from $41,000 to $45,000 from 1 July 2022.
- Component 5: Do not proceed with the scheduled increase in the upper threshold for the 19 per cent marginal tax rate from $37,000 to $41,000 from 1 July 2022.
- Component 6: Do not proceed with the scheduled increase in the low income tax offset from a maximum of $645 to a maximum of $700 for taxable incomes up to $66,667 from 1 July 2022.
- Component 7: Do not proceed with the scheduled increase in the low income tax offset from a maximum of $445 to a maximum of $645 for taxable incomes up to $66,667 from 1 July 2022.

The financial implications of this proposal include interactions with another Australian Labor Party proposal, *Labor's fairer income tax cuts* (PER411).

Costing overview

This proposal would be expected to increase the fiscal and underlying cash balances by $13,630 million over the 2019-20 Budget forward estimates period. This impact is entirely due to an increase in revenue.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	-	-	13,630	**13,630**
Underlying cash balance	-	-	-	13,630	**13,630**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

The proposal would not be expected to involve any change in departmental expenses as it does not change the administrative complexity of the tax system.

The impact of this proposal over the 2019-20 Budget forward estimates period is not representative of the ongoing financial implications. Financial implications over the period to 2029-30 are included at Attachment A.

This costing is subject to uncertainties in income and population growth, in addition to behavioural responses to the proposal. The magnitude of the impact of the various components depends on the order in which they are presented in the costing. Presenting components in a different order would change the magnitude of individual components, but would not change the financial implications of the overall package.

Key assumptions

The Parliamentary Budget Office has assumed there would be no significant behavioural response associated with this proposal, including to the supply of labour.

- High income earners can often adjust their taxable income in response to changes in the marginal tax rates.[1] This proposal would not change the marginal tax rate for those with a taxable income greater than $200,000, therefore suggesting that any adjustment to taxable income is likely to be small.
- Studies indicate that some people will choose to work less in response to a higher marginal tax rate, while others will work more.[2] There is considerable uncertainty regarding the direction, magnitude and timing of the effect this proposal would have on labour supply.

Methodology

- The financial implications of this proposal have been estimated using a 16 per cent sample of de-identified personal income tax and superannuation returns for 2016-17 provided by the Australian Taxation Office (ATO). The data were used to estimate the change in tax payable for each component.
- The components have been costed and presented in reverse order by start date for comparison with the components of the 2018-19 Budget and 2019-20 Budget measures.[3] The interaction between the proposal and *Labor's fairer income tax cuts* (PER411) was costed last.
- This modelling has taken account of the timing of tax collections.
- Estimates for not proceeding with increases to the low income tax offset (Components 6 and 7) and the interactions have been rounded to the nearest $10 million. All other estimates have been rounded to the nearest $100 million.

[1] See for instance, HM Revenue and Customs, 2012. *The Exchequer effect of the 50 per cent additional rate of income tax,* London: HM revenue and Customs.

[2] Ibid.

[3] Where two similar components have the same start date, those that relate to a 2019-20 Budget measure were costed before those relating to a 2018-19 Budget measure. If the components were costed in chronological order, the financial implications of each component would not be comparable with the 2018-19 Budget and 2019-20 Budget measures, due to interactions between components.

Data sources

The ATO provided a 16 per cent sample of de-identified personal income tax and superannuation returns for the 2016-17 year.

The Treasury provided economic forecasts for personal income and superannuation tax as at the 2019 Pre-election Economic and Fiscal Outlook.

HM Revenue and Customs, 2012. *The Exchequer effect of the 50 per cent additional rate of income tax*, London: HM Revenue and Customs.

Attachment A – Not support Stages 2 and 3 of the Government's unfair tax plan – financial implications

Table A1: Not support Stages 2 and 3 of the Government's unfair tax plan – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Revenue													
Component 1 – Do not reduce marginal tax rate from 32.5 per cent to 30 per cent	-	-	-	-	-	*12,500*	*14,300*	*15,400*	*16,600*	*17,700*	*18,900*	-	***95,400***
Component 2 – Do not remove 37 per cent tax bracket nor increase tax threshold from $180,000 to $200,000	-	-	-	-	-	*6,000*	*7,000*	*7,900*	*8,800*	*9,600*	*10,600*	-	***49,900***
Component 3 – Do not increase tax threshold from $90,000 to $120,000	-	-	-	*3,700*	*4,300*	*4,700*	*5,000*	*5,500*	*6,000*	*6,400*	*6,800*	***3,700***	***42,400***
Component 4 – Do not increase tax threshold from $41,000 to $45,000	-	-	-	*4,800*	*5,300*	*5,600*	*5,700*	*5,900*	*6,100*	*6,300*	*6,500*	***4,800***	***46,200***
Component 5 – Do not increase tax threshold from $37,000 to $41,000	-	-	-	*5,000*	*5,500*	*5,800*	*5,900*	*6,100*	*6,300*	*6,400*	*6,600*	***5,000***	***47,600***
Component 6 – Do not increase low income tax offset from $645 to $700	-	-	-	*40*	*210*	*210*	*200*	*200*	*200*	*190*	*190*	***40***	***1,440***
Component 7 – Do not increase low income tax offset from $445 to $645	-	-	-	*90*	*470*	*470*	*460*	*450*	*440*	*420*	*400*	***90***	***3,200***
Interaction between Components 1 to 7 and Labor's fairer income tax cuts (PER411)	-	-	-	-	*-60*	*-60*	*-60*	*-50*	*-50*	*-50*	*-50*	-	***-380***
Total – revenue	**-**	**-**	**-**	**13,630**	**15,720**	**35,220**	**38,500**	**41,400**	**44,390**	**46,960**	**49,940**	**13,630**	**285,760**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil

Parliamentary
Budget Office

Policy costing

Boosting women's superannuation	
Party:	Australian Labor Party

Summary of proposal:

This proposal has two ongoing components.

- Component 1 would pay superannuation guarantee contributions on Parental Leave Pay (PLP) payments and Dad and Partner Pay (DaPP) payments based on the currently legislated superannuation guarantee rate of 9.5 per cent and rising to 12 per cent in 2025-26 in line with the superannuation guarantee baseline.
- Component 2 would reduce the superannuation guarantee earnings threshold in increments of $100 per year, with the final increment being from $50 to zero in the fifth year of the proposal.

This proposal would have effect from 1 July 2020.

Costing overview

This proposal would be expected to decrease the fiscal balance by $681.7 million and decrease the underlying cash balance by $655.7 million over the 2019-20 Budget forward estimates period. The impact on the fiscal balance reflects an increase in administered expenses of $736.0 million and an increase in departmental expenses of $25.7 million, partially offset by an increase in revenue of $80 million over this period. A breakdown of the financial implications over this period is included at Attachment A.

The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

The fiscal balance impact of the proposal differs from the underlying cash balance impact due to the timing lag between the payment of the low income superannuation tax offset into superannuation accounts and when it is accrued.

This costing is sensitive to changes in income and population growth, the number of people eligible for the superannuation guarantee and the low income superannuation tax offset, the future PLP and DaPP expenses claimed, and variations in earnings realised by superannuation funds. This proposal is particularly sensitive to changes in the annual distribution of earnings below the superannuation guarantee threshold and the current level of superannuation payments to employees who are earning below the threshold.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-	-178.5	-237.5	-265.7	**-681.7**
Underlying cash balance	-	-171.5	-227.5	-256.7	**-655.7**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

Component 1: Superannuation guarantee contribution on PLP and DaPP

- Superannuation contributions and contributions tax would be made and collected at the same time as PLP and DaPP payments.
- The payment of superannuation in relation to PLP and DaPP payments would have no impact on the amount of PLP and DaPP claimed.

Component 2: Superannuation guarantee threshold reduction

- Earnings below the superannuation guarantee threshold are equal to earnings as stated on annual payment summaries provided to the Australian Taxation Office.
  - Actual data on monthly earnings subject to the threshold are not available.
- Earnings of affected individuals are constant over the period covered by payment summaries.
- Employers of around 40 per cent of affected low-income employees are already making superannuation guarantee payments to these employees (even though these are not compulsory).
  - This assumption was informed by an analysis of the employer superannuation contributions for individuals with a single job.
- Employers would bear the incidence of the additional superannuation guarantee payments.
  - There would be limited scope to reduce wages to offset higher superannuation payments as a significant proportion of the affected employees would be receiving minimum or award wages.
  - This would lead to a decrease in employer taxable income (via increased deductions), and therefore decrease company tax receipts.
  - Eighty per cent of affected employers have sufficient taxable income to use the increased tax deductions.
- Individuals would not reduce their personal or salary sacrificed contributions to superannuation as a result of this proposal.
- Any contributions tax paid by individuals who become eligible for the superannuation guarantee would be refunded through low income superannuation tax offset payments.
- Any additional compliance costs on employers and superannuation funds as a result of the proposal are not included.

Methodology

For Component 1, the financial implications of providing superannuation contributions on PLP and DaPP payments were estimated by applying the superannuation guarantee contributions rate to the estimated PLP and DaPP expenditure.

- Tax on superannuation contributions was estimated by applying the contributions tax rate to the estimated amount of additional superannuation contributions. Superannuation earnings tax was calculated based on the aggregate earnings rate for superannuation funds.
- Departmental expenses have been estimated by scaling programs with similar complexity.

For Component 2, the financial implications were estimated by calculating the expected change in the amount of income tax paid by affected businesses as a result of higher deductions for superannuation payments (after accounting for the assumed proportion who would be unable to use the increased deductions). This impact was partially offset by increased superannuation earnings tax.

- The total salary and wages affected by the extension of the superannuation guarantee were estimated using pay-as-you-go payment summary data.

Revenue and certain superannuation expense estimates have been rounded to the nearest $10 million. Estimates of the low income superannuation tax offset have been rounded to the nearest $1 million. Departmental expenses have been rounded to the nearest $100,000.

Data sources

The Australian Taxation Office provided pay-as-you-go payment summaries for 2015-16.

The Treasury provided population projections and economic parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

Department of Social Services, 2019. *Portfolio Budget Statements 2019-20 Social Services Portfolio*, Canberra: Department of Social Services.

Attachment A – Boosting women's superannuation – financial implications

Table A1: Boosting women's superannuation – Fiscal balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Revenue					
Superannuation tax (PLP and DaPP)	-	*30.0*	*40.0*	*40.0*	***110.0***
Superannuation tax (superannuation guarantee threshold)	-	*10.0*	*20.0*	*20.0*	***50.0***
Company tax	-	*-10.0*	*-30.0*	*-40.0*	***-80.0***
Total – revenue	**-**	**30.0**	**30.0**	**20.0**	**80.0**
Expenses					
Administered					
PLP superannuation contributions	-	*-180.0*	*-230.0*	*-250.0*	***-660.0***
DaPP superannuation contributions	-	*-10.0*	*-10.0*	*-10.0*	***-30.0***
Low income superannuation tax offset	-	*-7.0*	*-16.0*	*-23.0*	***-46.0***
Total – administered	**-**	***-197.0***	***-256.0***	***-283.0***	***-736.0***
Departmental					
Departmental – Department of Human Services	-	*-8.8*	*-8.8*	-	***-17.6***
Departmental – Australian Taxation Office	-	*-2.7*	*-2.7*	*-2.7*	***-8.1***
Total – departmental	**-**	***-11.5***	***-11.5***	***-2.7***	***-25.7***
Total – expenses	**-**	**-208.5**	**-267.5**	**-285.7**	**-761.7**
Total	**-**	**-178.5**	**-237.5**	**-265.7**	**-681.7**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Table A2: Boosting women's superannuation – Underlying cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Receipts					
Superannuation tax (PLP and DaPP)	-	*30.0*	*40.0*	*40.0*	***110.0***
Superannuation tax (superannuation guarantee threshold)	-	*10.0*	*20.0*	*20.0*	***50.0***
Company tax	-	*-10.0*	*-30.0*	*-40.0*	***-80.0***
Total – receipts	**-**	**30.0**	**30.0**	**20.0**	**80.0**
Payments					
Administered					
PLP superannuation contributions	-	*-180.0*	*-230.0*	*-250.0*	***-660.0***
DaPP superannuation contributions	-	*-10.0*	*-10.0*	*-10.0*	***-30.0***
Low income superannuation tax offset	-	-	*-6.0*	*-14.0*	***-20.0***
Total – administered	**-**	***-190.0***	***-246.0***	***-274.0***	***-710.0***
Departmental					
Departmental – Department of Human Services	-	*-8.8*	*-8.8*	-	***-17.6***
Departmental – Australian Taxation Office	-	*-2.7*	*-2.7*	*-2.7*	***-8.1***
Total – departmental	**-**	***-11.5***	***-11.5***	***-2.7***	***-25.7***
Total – payments	**-**	**-201.5**	**-257.5**	**-276.7**	**-735.7**
Total	**-**	**-171.5**	**-227.5**	**-256.7**	**-655.7**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Forced marriage policy	
Party:	Australian Labor Party

Summary of proposal:

The proposal has three components.

- Component 1: Remove the cooperation requirement (for victims of forced marriage to cooperate with law enforcement agencies in order to access the Support for Trafficked People Program for more than 90 days) from 1 July 2020.
- Component 2: Establish a Commonwealth Forced Marriage Unit from 1 July 2020.
- Component 3: Provide $750,000 per year for four years from 1 July 2019 to support organisations that address the issue of forced marriage.

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by $13.5 million over the 2019-20 Budget forward estimates period. This reflects increases of $10.6 million in administered expenses and $2.9 million in departmental expenses.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-0.8	-3.9	-4.3	-4.7	**-13.5**
Underlying cash balance	-0.8	-3.9	-4.3	-4.7	**-13.5**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

Component 1: Remove the cooperation requirement

- Relaxing the cooperation requirement would result in new individuals accessing the Justice Support Stream. These individuals include:

- those who previously accessed the services but exited due to the cooperation requirement (approximately 60 per cent)
  - those who would have otherwise been deterred by the cooperation requirement.

  Individuals accessing the service would increase by 5 per cent as a result.

- The average cost per person is the same for existing and new individuals accessing the service. The average cost per person would grow in line with the consumer price index.
- Additional departmental expenses would not be material due to existing mechanisms available within the Department of Social Services to provide funds for the specified purpose.

Component 2: Establish a Commonwealth Forced Marriage Unit

- The Forced Marriage Unit would be housed within the premises currently occupied by the Department of Home Affairs. The unit would have five full-time-equivalent staff including one senior manager (Senior Executive Band 1 or Executive Level 2 employee).

Component 3: Grants for organisations that address the issue of forced marriage

- The full $750,000 would be disbursed in each of the four years.

Methodology

- The costing of Component 1 was based on the number of individuals who accessed the Justice Support Stream services for the 2017 and 2018 calendar years, and the average cost per person for the 2017-18 financial year.
  - The data were used to estimate the program cost of removing the cooperation requirement.
  - The modelling takes into account the assumed behavioural responses outlined above.
- The cost of Component 2 was estimated as the average staffing costs multiplied by the number of full-time-equivalent staff at each staffing level. Staffing costs were grown by the appropriate wage cost index and include the impact of the efficiency dividend.
- Estimates have been rounded to the nearest $0.1 million.

Data sources

The Department of Social Services provided information on the average unit cost of the Justice Support Stream for victims of forced marriage, the proportion of individuals who exit Justice Support Stream services, and the current population of individuals who access Justice Support Stream services.

The Department of Finance provided the wage cost index as at the 2019 Pre-election Economic and Fiscal Outlook.

Attachment A – Forced marriage policy – financial implications

Table A1: Forced marriage policy – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019-20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
Administered					
Component 1: Remove the cooperation requirement	*-*	*-2.1*	*-2.5*	*-2.9*	***-7.6***
Component 2: Establish a Commonwealth Forced Marriage Unit	*-*	*-*	*-*	*-*	***-***
Component 3: Support for organisations that address the issue of forced marriage	*-0.8*	*-0.8*	*-0.8*	*-0.8*	***-3.0***
Total – administered	***-0.8***	***-2.9***	***-3.3***	***-3.7***	***-10.6***
Departmental					
Component 1: Remove the cooperation requirement	*-*	*-*	*-*	*-*	***-***
Component 2: Establish a Commonwealth Forced Marriage Unit	*-*	*-1.0*	*-1.0*	*-1.0*	***-2.9***
Component 3: Support for organisations that address the issue of forced marriage	*-*	*-*	*-*	*-*	***-***
Total – departmental	***-***	***-1.0***	***-1.0***	***-1.0***	***-2.9***
Total – expenses	**-0.8**	**-3.9**	**-4.3**	**-4.7**	**-13.5**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Gender pay equity	
Party:	Australian Labor Party
Summary of proposal: This proposal has two components. • Component 1: Provide ongoing funding to the Fair Work Commission to appoint one additional Deputy President to oversee a Pay Equity Panel. • Component 2: Re-establish the Pay Equity Unit within the Fair Work Commission. This would be funded for five years at the level of funding for the Pay Equity Unit provided in the 2013-14 Budget measure *Child Care Workforce – Early Years Quality Fund – establishment*, grown over time using the 2019-20 Budget parameters. The proposal would have effect from 1 July 2019.	

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $9.2 million over the 2019-20 Budget forward estimates period. This impact entirely reflects an increase in departmental expenses.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

The financial implications of this proposal are sensitive to changes in indexation parameters.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-2.3	-2.3	-2.3	-2.4	**-9.2**
Underlying cash balance	-2.3	-2.3	-2.3	-2.4	**-9.2**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Methodology

The financial implications of the additional appointment under Component 1 are based on the Remuneration Tribunal determinations of salaries and allowances for Full-Time Public Office Holders. From 2019-20, funding for this appointment was grown by the average historical rate for the salaries and allowances in determinations between 2015-16 and 2018-19.

The financial impacts of Component 2 were based on the funding profile of the Pay Equity Unit in the 2013-14 Budget measure *Child Care Workforce – Early Years Quality Fund – establishment*, and grown over time in line with the 2019-20 Budget parameters for wages.

All estimates were rounded to the nearest $100,000.

Data sources

Commonwealth of Australia, 2014. *2013-14 Budget Paper No. 2*, Canberra: Commonwealth of Australian, p. 123.

The Department of Finance provided indexation parameters as at the 2019-20 Budget.

Remuneration Tribunal, 2018. *Remuneration Tribunal (Remuneration and Allowances for Holders of Full-time Public Office) Determination 2018*.

Attachment A – Gender pay equity – financial implications

Table A1: Gender pay equity – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Expenses					
Departmental					
Component 1 – Ongoing funding to establish additional appointment	*-0.5*	*-0.5*	*-0.5*	*-0.5*	***-1.9***
Component 2 – Re-establish the Pay Equity Unit	*-1.8*	*-1.8*	*-1.8*	*-1.9*	***-7.3***
Total – expenses	**-2.3**	**-2.3**	**-2.3**	**-2.4**	**-9.2**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary Budget Office

Policy costing

Preventing family violence – better Centrelink services	
Party:	Australian Labor Party

Summary of proposal:

This proposal has five components that aim to provide better support and services for those affected by family violence.

- Component 1: Provide 25 family violence specialists to deliver informed and rapid support for people experiencing family violence.
- Component 2: Create a dedicated family violence phone line and prioritise processing of family violence reports to enable people to receive payments quickly and immediately access a specialist to help them.
- Component 3: Allow people up to one month to claim crisis payments in cases of family violence (an increase from seven days).
- Component 4: Allow social security debt to be waived if it was incurred through an act of family violence. The cost would be offset by allowing the Commonwealth to pursue the perpetrator of family violence for the debt, rather than the victim, when safe to do so.
- Component 5: Review Centrelink processes and services to ensure staff have up-to-date family violence training. Also make it easier for people to identify that they are experiencing family violence and get help; on the phone, at terminals, through forms and at Centrelink offices.

All components would have effect from 1 July 2020.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $2 million over the 2019-20 Budget forward estimates period. This reflects an increase in administered expenses of $1.7 million and departmental expenses of $0.3 million. A detailed breakdown of the financial implications over this period is provided at Attachment A.

This proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

The costs of employing additional staff under Component 1 are not included in this costing, as they are included in *PER379 – 1,200 additional Department of Human Services (DHS) staff.*

The proposal is sensitive to the estimated number of crisis payment recipients, the number of people affected by family violence and the crisis payment rate.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	-0.6	-0.7	-0.7	**-2.0**
Underlying cash balance	-	-0.6	-0.7	-0.7	**-2.0**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- Components 2 and 5 would be funded from within Centrelink's existing resources.
- The number of crisis payment recipients affected by family violence under Component 4 would grow by 10 per cent per annum.
- Departmental expenses relating to Component 4 would be immaterial.

Methodology

For Component 3:

- Administered expenses were estimated by multiplying the number of additional crisis payment recipients, after the extension of the claim period, by the average payment rate. The PBO projected the recipient numbers over the medium term by applying a growth rate that reflects changes in the working age population. The average payment rate is increased in line with the consumer price index.
- Departmental expenses were estimated by multiplying the additional crisis payment recipients by the estimated cost of administering the payment.

Social security debts resulting from family violence were assumed to be offset by pursuing the perpetrator of family violence for the debt under Component 4.

Components 2 and 5 are not expected to involve additional costs.

All estimates have been rounded to the nearest $100,000.

Data sources

The Treasury provided indexation and working age population parameters as at the 2019-20 Budget.

The Department of Human Services provided the costs of administering the crisis payment as at the 2019-20 Budget.

Australian Bureau of Statistics, 2017. *Personal Safety, Australia*, ABS Cat. No. 4906.0, 11 August 2017.

Attachment A – Preventing family violence – better Centrelink services – financial implications

Table A1: Preventing family violence – better Centrelink services – Fiscal and underlying cash balances ($m)(a)(b)

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
Administered					
Component 1 – 25 family violence specialists (SEE PER379)	-	-	-	-	-
Component 2 – dedicated phone line and priority processing	-	-	-	-	-
Component 3 – extend crisis payment claim window	-	-0.5	-0.6	-0.6	***-1.7***
Component 4 – waive family violence social security debt	-	..	..	..	**..**
Component 5 – review Centrelink processes and services	-	-	-	-	-
Total – administered	**-**	***-0.5***	***-0.6***	***-0.6***	***-1.7***
Departmental					
Component 1 – 25 family violence specialists (SEE PER379)	-	-	-	-	-
Component 2 – dedicated phone line and priority processing	-	-	-	-	-
Component 3 – extend crisis payment claim window	-	-0.1	-0.1	-0.1	***-0.3***
Component 4 – waive family violence social security debt	-	-	-	-	-
Component 5 – review Centrelink processes and services	-	-	-	-	-
Total – departmental	**-**	***-0.1***	***-0.1***	***-0.1***	***-0.3***
Total – expenses	**-**	**-0.6**	**-0.7**	**-0.7**	**-2.0**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Abolishing the Native Title Respondents Scheme	
Party:	Australian Labor Party
Summary of proposal: This proposal would abolish the Native Title Respondents Scheme (the Scheme) and return all uncommitted funds to the budget. This proposal would commence on 1 July 2019.	

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by $6.9 million over the 2019-20 Budget forward estimates period. This entirely reflects a decrease in administered expenses. Consistent with the Attorney-General's Department's 2019-20 Portfolio Budget Statements, there is no departmental appropriation associated with the Scheme and, therefore, there would be no departmental saving associated with its abolition.

The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

The financial implications are sensitive to the estimated timing and value of contractual commitments made under the Scheme.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	1.7	1.7	1.7	1.8	**6.9**
Underlying cash balance	1.7	1.7	1.7	1.8	**6.9**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

In costing this proposal the Parliamentary Budget Office has estimated the uncommitted funds for 2019-20 that would be available at the proposal's start date of 1 July 2019 by assuming that no further contractual commitments occur between the 2019-20 Budget and the proposal start date.

Methodology

Estimated uncommitted funding for the Scheme over the 2019-20 Budget forward estimates period was calculated as described above and projected over the period to 2029-30 using the appropriate indexation factor.

Data sources

The Attorney-General's Department provided committed and uncommitted funding data for the Scheme as at the 2019-20 Budget.

The Department of Finance provided the wage cost index as at the 2019-20 Pre-election Economic and Fiscal Outlook.

Parliamentary Budget Office

Policy costing

Increasing penalty units from $210 to $300	
Party:	Australian Labor Party
Summary of proposal: This proposal would increase the value of the Commonwealth penalty unit from $210 to $300. Penalty unit values would continue to be indexed according to the current three-yearly schedule, with the next indexation year being 2020-21. The proposal would have effect from 1 July 2019.	

Costing overview

This proposal would be expected to increase the fiscal balance by $726 million and increase the underlying cash balance by $354 million over the 2019-20 Budget forward estimates period. These impacts are entirely due to an increase in revenue.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

The proposal would be expected to have a positive revenue impact which increases over time as the value of penalty units is indexed every three years by movements in the consumer price index (CPI).

Departmental expenses have not been included as this proposal would not be expected to significantly change the complexity of administering Commonwealth penalties.

There is a difference between the fiscal and underlying cash balance implications, as a proportion of penalties are paid in the financial years following the year that the penalty was imposed and because of the timing of actual collections and bad debt write-offs.

The revenue estimates for this proposal are subject to a high degree of uncertainty as they are based on the average of historical penalty unit liabilities, and assumptions that these averages will not change over time or in response to the proposal. The historical data on penalty unit liabilities has a high degree of volatility. There is also a chance that the proportion of bad debts may increase as the penalty unit value increases.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	213	225	172	116	**726**
Underlying cash balance	53	88	101	112	**354**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- The total volume of penalty units raised each year would remain constant and would not change as a result of this proposal.
- The proportion of each year's penalty units eventually remitted would remain constant.

Methodology

The financial implications for this proposal were estimated by multiplying the difference between the baseline and the proposed value of the penalty unit in a financial year by the assumed volume of penalty units in that year, with adjustments for the timing of bad debts and cash collections.

The total volume of penalty units for each year was based on the annual average of total unremitted penalty unit liabilities for the period 2014-15 to 2017-18.

Estimates have been rounded to the nearest $1 million.

Data sources

The Treasury provided the penalty unit costing model for the 2016-17 Mid-Year Economic and Fiscal Outlook measure *Commonwealth penalty units – increase in value*.

The Australian Taxation Office provided historical information on total penalty unit liabilities, and their timing and collection profiles.

Attachment A – Increasing penalty units from $210 to $300 – financial implications

Table A1: Increasing penalty units from $210 to $300 – Fiscal balance ($m)[a][b]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Total revenue	213	225	172	116	**726**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

Table A2: Increasing penalty units from $210 to $300 – Underlying cash balance ($m)[a][b]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Total receipts	53	88	101	112	**354**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

Parliamentary
Budget Office

Policy costing

National vote on the Republic	
Party:	Australian Labor Party
Summary of proposal: This proposal is to undertake a plebiscite to decide whether Australia should be a Republic alongside an anticipated 2022 general election.	

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by $55 million over the 2019-20 Budget forward estimates period. This impact entirely reflects an increase in departmental expenditure.

The proposal would not be expected to have an impact beyond the 2019-20 Budget forward estimates period.

The estimates are sensitive to the actual structure adopted, and process undertaken, to conduct the plebiscite alongside an anticipated general election.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	-	-55	-	**-55**
Underlying cash balance	-	-	-55	-	**-55**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Methodology

The cost of undertaking a plebiscite as part of an anticipated 2022 general election are based on the Australian Electoral Commission's estimated costs of conducting the Marriage Equality Plebiscite. Cost estimates were indexed by the consumer price index and the projected growth in Australia's population to the specified year.

All estimates were rounded to the nearest $1 million.

Data sources

Australian Electoral Commission, 2015. *Submission to the inquiry into the matter of a popular vote, in the form of a plebiscite or referendum, on the matter of marriage in Australia*. [Online]
Available at:
https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Legal_and_Constitutional_Affairs/Marriage_Plebiscite/Submissions [Accessed 18.04.2019].

The Treasury provided indexation parameters and population projections as at the 2019 Pre-election Economic and Fiscal Outlook.

Parliamentary Budget Office

Policy costing

Not proceeding with *Amplifying Australia's Voice in the Pacific* and redirecting funding to the ABC and SBS	
Party:	Australian Labor Party
Summary of proposal: The proposal would not proceed with the 2019-20 Budget measure *Amplifying Australia's Voice in the Pacific* and instead redirect the funding to the Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service (SBS).	

Costing overview

This proposal would have no impact on the fiscal or underlying cash balances over the 2019-20 Budget forward estimates period. While the proposal would have no overall impact on the budget it would result in a decrease of $17.0 million in administered expenses which would be fully offset by an increase of $17.0 million in departmental expenses.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates is included at Attachment A. The proposal would not be expected to have an impact beyond the 2019-20 Budget forward estimates period as funding for the budget measure *Amplifying Australia's Voice in the Pacific* and the subsequent redirection of this funding terminates in 2021-22.

Table 1: Financial implications ($m)(a)(b)

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	-	-	-	**-**
Underlying cash balance	-	-	-	-	**-**

- Indicates nil.

Methodology

The financial implications of this proposal were estimated based on information and budget measure models provided by the Department of Communications and the Arts.

All estimates were rounded to the nearest $100,000.

Data sources

The Department of Communications and the Arts provided relevant budget measure costing models and information on the level of funding for the *Amplifying Australia's Voice in the Pacific* as at 3 April 2019.

Attachment A – Not proceeding with *Amplifying Australia's Voice in the Pacific* and redirecting funding to the ABC and SBS – financial implications

Table A1: Not proceeding with *Amplifying Australia's Voice in the Pacific* and redirecting funding to the ABC and SBS – Fiscal and underlying cash balances ($m)[(a)(b)(c)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Expenses					
Administered					
Not proceeding with Amplifying Australia's Voice in the Pacific	*5.7*	*5.7*	*5.7*	*-*	***17.0***
Redirecting funding to the ABC and SBS	*-*	*-*	*-*	*-*	***-***
Total – administered	***5.7***	***5.7***	***5.7***	***-***	***17.0***
Departmental					
Not proceeding with Amplifying Australia's Voice in the Pacific	*0.1*	*..*	*..*	*-*	***0.1***
Redirecting funding to the ABC and SBS	*-5.8*	*-5.7*	*-5.7*	*-*	***-17.1***
Total – departmental	***-5.7***	***-5.7***	***-5.7***	***-***	***-17.0***
Total – expenses	**-**	**-**	**-**	**-**	**-**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

(c) Estimates are based on the level of funds for the 2019-20 Budget measure *Amplifying Australia's Voice in the Pacific* that were not contractually committed as at 3 April 2019, as provided by the Department of Communications and the Arts.

.. Not zero but rounded to zero.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Redirected funding from the feasibility study into improving digital connectivity in the Grainbelt	
Party:	Australian Labor Party
Summary of proposal: This proposal would not proceed with the 2019-20 Budget measure *Improving Connectivity in the Western Australian Grainbelt Region - feasibility study*.	

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by $2.0 million over 2019-20 Budget forward estimates period. This impact entirely reflects a decrease in departmental expenses.

The proposal would not be expected to have an impact beyond the 2019-20 Budget forward estimates period as funding for the measure terminates in 2019-20.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	2.0	-	-	-	**2.0**
Underlying cash balance	2.0	-	-	-	**2.0**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Methodology

The financial implications of this proposal were estimated based on information provided by the Department of Finance.

All estimates have been rounded to the nearest $100,000.

Data sources

The Department of Finance provided information from the Central Budget Management System for the budget measure.

Parliamentary
Budget Office

Policy costing

Redirected funding from the Regional Publishers Fund	
Party:	Australian Labor Party
Summary of proposal: This proposal would abolish the Regional and Small Publishers Innovation Fund. The proposal would have effect from 1 July 2019.	

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by $32.2 million over 2019-20 Budget forward estimates period. This impact reflects a decrease in administered expenses of $31.0 million and a decrease in departmental expenses of $1.2 million.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would not be expected to have an impact beyond the 2019-20 Budget forward estimates period as funding for the Regional and Small Publishers Innovation Fund terminates in 2020-21.

The financial implications are relatively certain as they are based on the current amount of uncommitted program funding.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	15.7	16.6	-	-	**32.2**
Underlying cash balance	15.7	16.6	-	-	**32.2**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
\- Indicates nil.

Methodology

The financial implications represent the current amount of uncommitted program funding being returned to the budget.

Data sources

The Department of Communications and the Arts provided the level of uncommitted program funding as at 24 April 2019.

Attachment A – Redirected funding from the Regional Publishers Fund – financial implications

Table A1: Redirected funding from the Regional Publishers Fund – Fiscal and underlying cash balances ($m)[a][b]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
Administered	*15.1*	*16.0*	-	-	***31.0***
Departmental	*0.6*	*0.6*	-	-	***1.2***
Total	**15.7**	**16.6**	**-**	**-**	**32.2**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

\- Indicates nil.

Parliamentary Budget Office

Policy costing

Restoring the Australian Federal Police's (AFP's) presence at Hobart Airport	
Party:	Australian Labor Party
Summary of proposal: The proposal would restore an Australian Federal Police (AFP) presence of 16 AFP officers at Hobart Airport from 1 July 2020. The AFP would undertake responsibility for security and policing activities at the Airport.	

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by $16.1 million over the 2019-20 Budget forward estimates period. This impact is entirely due to an increase in departmental expenses.

The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

The financial implications of the proposal are sensitive to assumed start-up costs, and to AFP salaries and their indexation.

Table 1: Financial implications ($m)[(a)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	-10.3	-2.9	-2.9	**-16.1**
Underlying cash balance	-	-10.3	-2.9	-2.9	**-16.1**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing the proposal.

- Capital expenditure, equal to that removed under the 2014-15 Budget measure *Hobart Airport,* would be required.
- New capital purchases would be made in the first year and the eleventh year of operation and depreciated over a ten-year period.

Methodology

The Attorney-General's Department provided details on the 2014-15 Budget measure *Hobart Airport*. The costs associated with restoring an AFP presence at Hobart Airport were derived from this measure.

Departmental expenses were grown by the appropriate wage cost index, net of the efficiency dividend, and applied to the proposed staff numbers. The capital acquisition costs were grown by the consumer price index.

Data sources

The Attorney-General's Department provided details on the 2014-15 Budget measure *Hobart Airport*.

The Department of Finance provided the wage cost index, the efficiency dividend and consumer price index data as at the 2019 Pre-election Economic and Fiscal Outlook.

Parliamentary Budget Office

Policy costing

Australian Labor Party's (ALP's) support for the First Home Loan Deposit Scheme	
Party:	Australian Labor Party
Summary of proposal: This proposal is to establish a First Home Loan Deposit Scheme (the Scheme) which would help eligible first home buyers by providing support if they do not have a 20 per cent deposit, consistent with the Coalition's announcement – *First Home Loan Deposit Scheme* (PER062). The Scheme would be capped at 10,000 recipients a year. The Scheme would be run by the National Housing Finance and Investment Corporation. The Commonwealth Government would make an equity investment of $500 million to the National Housing Finance and Investment Corporation and provide additional funding to establish and administer the Scheme. Funding for research on housing demand, supply and affordability in Australia has been provided under the related commitment – *National Housing Supply Council* (PER413). This proposal would have effect from 1 July 2019.	

Costing overview

This proposal is expected to decrease the fiscal, underlying cash and the headline cash balances over the 2019-20 Budget forward estimates period. The fiscal and underlying cash balance impacts reflect net revenue gains that are entirely offset by public debt interest (PDI) and departmental expenses. The headline cash balance impact includes the amount of the equity investment in the first year of the proposal. A breakdown of the financial implications over the 2019-20 Budget forward estimates period is included at Attachment A.

The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

The $500 million equity investment in National Housing Finance and Investment Corporation involves a transfer between financial assets on the Commonwealth Government's balance sheet that only affects the headline cash balance and informs the calculation of the PDI expenses. It does not directly affect the fiscal and underlying cash balances.

Consistent with Parliamentary Budget Office Guidance 02/2015, PDI expense impacts have been included in this costing because the proposal involves financial asset transactions.

Further consideration of the detailed arrangements would be required to confirm that the Scheme would operate as part of the general government sector, which has been assumed for this costing.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-2.7	-4.3	-4.3	-4.3	**-15.5**
Underlying cash balance	-2.7	-4.3	-4.3	-4.3	**-15.5**
Headline cash balance	-502.7	-4.3	-4.3	-4.3	**-515.5**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- The Scheme would provide support to first home buyers by guaranteeing that the amount borrowed from financial institutions would be repaid. This guarantee would remove the need for these buyers to save a 20 per cent deposit to avoid mortgage insurance costs.
- The gross return earned by the National Housing Finance and Investment Corporation, including from interest earned by investing the $500 million equity injection, would be sufficient to cover the PDI costs and any default costs associated with the Scheme. The costing assumes that the National Housing and Investment Corporation's investment mandate would be adjusted, if required, to achieve this level of return.
- The Treasury would absorb any departmental or capital expenses in excess of the estimated departmental costs of administering the Scheme.

Methodology

The financial implications are based on the costing estimates for the Coalition's commitment – *First Home Loan Deposit Scheme* (PER062).

Departmental expenses represent the amount specified in the Coalition costing less an estimated $3 million each year that is assumed to be included to conduct research as part of the ALP commitment – *National Housing Supply Council* (PER413).

All estimates are rounded to the nearest $100,000.

Data sources

Commonwealth of Australia, 2019. *2019-20 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2017. *2017-18 Budget*, Canberra: Commonwealth of Australia.

Australian Bureau of Statistics, 2018. *Housing Finance, Australia,* ABS Cat. No. 5609.0, 17 January 2019. [Online] Available at: http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5609.0November%202018?OpenDocument [Accessed 06.02.2019].

Australian Bureau of Statistics, 2018. *Residential Property Price Indexes: Eight Capital Cities, Australia,* ABS Cat. No. 6416.0, 19 June 2018. [Online] Available at: http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6416.0Mar%202018?OpenDocument [Accessed 06.02.2019].

Reserve Bank of Australia, 2018. *Financial Stability Review*. [Online]
Available at: https://www.rba.gov.au/publications/fsr/2018/oct/pdf/financial-stability-review-2018-10.pdf [Accessed 23.05.2019].

Attachment A – Australian Labor Party's (ALP's) support for the First Home Loan Deposit Scheme – financial implications

Table A1: ALP's support for the First Home Loan Deposit Scheme – Fiscal balance ($m)[a][b]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
Net receipts[c]	*5.0*	*12.0*	*13.0*	*13.0*	***43.0***
Total – revenue	**5.0**	**12.0**	**13.0**	**13.0**	**43.0**
Expenses					
Departmental funding for National Housing Finance and Investment Corporation	*-2.7*	*-4.3*	*-4.3*	*-4.3*	***-15.5***
Total – expenses	**-2.7**	**-4.3**	**-4.3**	**-4.3**	**-15.5**
Total (excluding PDI)	**2.3**	**7.7**	**8.7**	**8.7**	**27.5**
PDI impacts	**-5.0**	**-12.0**	**-13.0**	**-13.0**	**-43.0**
Total (including PDI)	**-2.7**	**-4.3**	**-4.3**	**-4.3**	**-15.5**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

(c) Net receipts reflect gross returns on investments minus any costs associated with calls on the guarantee provided under the Scheme.

Table A2: ALP's support for the First Home Loan Deposit Scheme – Underlying cash balance ($m)[a][b]

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Receipts					
Net receipts[c]	*5.0*	*12.0*	*13.0*	*13.0*	***43.0***
Total – receipts	**5.0**	**12.0**	**13.0**	**13.0**	**43.0**
Payments					
Departmental funding for National Housing Finance and Investment Corporation	*-2.7*	*-4.3*	*-4.3*	*-4.3*	***-15.5***
Total – payments	**-2.7**	**-4.3**	**-4.3**	**-4.3**	**-15.5**
Total (excluding PDI)	**2.3**	**7.7**	**8.7**	**8.7**	**27.5**
PDI impacts	**-5.0**	**-12.0**	**-13.0**	**-13.0**	**-43.0**
Total (including PDI)	**-2.7**	**-4.3**	**-4.3**	**-4.3**	**-15.5**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

(c) Net receipts reflect gross returns on investments minus any costs associated with calls on the guarantee provided under the Scheme.

Table A3: ALP's support for the First Home Loan Deposit Scheme – Headline cash balance ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Receipts					
Net receipts[(c)]	*5.0*	*12.0*	*13.0*	*13.0*	***43.0***
Total – receipts	**5.0**	**12.0**	**13.0**	**13.0**	**43.0**
Payments					
Administered					
Equity investment	*-500.0*	*-*	*-*	*-*	***-500.0***
Total – administered	***-500.0***	***-***	***-***	***-***	***-500.0***
Departmental					
Departmental funding for National Housing Finance and Investment Corporation	*-2.7*	*-4.3*	*-4.3*	*-4.3*	***-15.5***
Total – departmental	***-2.7***	***-4.3***	***-4.3***	***-4.3***	***-15.5***
Total – payments	**-502.7**	**-4.3**	**-4.3**	**-4.3**	**-515.5**
Total (excluding PDI)	**-497.7**	**7.7**	**8.7**	**8.7**	**-472.5**
PDI impacts	**-5.0**	**-12.0**	**-13.0**	**-13.0**	**-43.0**
Total (including PDI)	**-502.7**	**-4.3**	**-4.3**	**-4.3**	**-515.5**

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

(b) Figures may not sum to totals due to rounding.

(c) Net receipts reflect gross returns on investments minus any costs associated with calls on the guarantee provided under the Scheme.

\- Indicates nil.

Parliamentary Budget Office

Costing interactions

Budget analysis of interactions between the Australian Labor Party's election commitments	
Party:	Australian Labor Party
Summary of analysis: This analysis provides estimates of the material interactions between the Australian Labor Party's election commitments. This analysis should be read in conjunction with the costings of each of the policy proposals identified as having a material interaction.	

Overview

The Parliamentary Budget Office (PBO) has examined all of the revenue and expense policy proposals of the Australian Labor Party included in the 2019 Post-election report to identify proposals that interact with each other in terms of their impact on the budget. An interaction arises when two or more proposals would have different budgetary implications when implemented together compared to the sum of the budgetary implications of implementing the proposals in isolation.

This analysis has specifically identified interactions between different policy proposals, rather than interactions within proposals. Proposals that include multiple components have had any interactions between components quantified within the costing of the proposal. See, for example, *Negative gearing and capital gains tax (CGT) reform* (PER414).

The PBO has assessed that seven of the Australian Labor Party's policy proposals materially interact with each other. All of these are revenue proposals. No expenditure proposals were identified as having material interactions, although the proposals relating to childcare and preschools could have interactions, depending on the final implementation details.

The seven policy proposals with material interactions are as follows.

- *Discretionary trust reform* (PER404)
- *Labor's fairer income tax cuts* (PER411)
- *Negative gearing and capital gains tax (CGT) reform* (PER414)
- *Reforming dividend imputation* (PER419)
- *Superannuation reforms* (PER420)
- *Budget repair levy* (PER422)
- *Not support Stages 2 and 3 of the Government's unfair tax plan* (PER425)

Financial implications

Interactions between the identified policy proposals would be expected to decrease the fiscal and underlying cash balances by $300 million over the 2019-20 Budget forward estimates period. These interactions entirely reflect a net decrease in revenue.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	..	-200	-100	..	**-300**
Underlying cash balance	..	-200	-100	..	**-300**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

These interactions would have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period. The financial implications of the interactions between the policy proposals over the period to 2029-30 are included at Attachment A, and Attachment B provides a detailed breakdown of the interactions.

Over the period to 2029-30, the interactions would be expected to increase the fiscal and underlying cash balances by $600 million. This means that over the period to 2029-30, the expected revenue gain of the seven policy proposals taken together is greater than the sum of the expected revenue gain from each proposal.

The superannuation reforms, the partial removal of negative gearing, and the halving of the capital gains tax discount all increase the taxable income of affected individuals. These proposals would, therefore, raise additional revenue after the proposed personal income tax changes (including the budget repair levy) have been applied, as these increase marginal tax rates for a majority of affected individuals.

Applying a minimum tax rate on trust distributions would raise less revenue after franking credits have been made non-refundable. With more tax paid on trust distributions, individuals would be able to make greater use of non-refundable franking credits as a tax offset. In net terms, both of these proposals would raise less revenue after the personal income tax changes have been applied, as these measures primarily increase the tax liability of affected individuals, reducing their balance of excess franking credits and increasing the rate of tax paid on trust distributions before the minimum tax rate is applied.

In addition to the uncertainty associated with each individual policy proposal, this analysis is subject to uncertainty surrounding economic parameter projections and whether there would be additional behavioural responses by affected entities to the combination of proposals being implemented together.

Key assumptions

The PBO has assumed that the behavioural response of affected entities to each policy proposal does not change when these proposals are implemented together.

- The overall package involves both a considerable broadening of the tax base and an increase in the tax-to-gross domestic product ratio. The broader tax base may lead to fewer opportunities for affected entities to make more favourable arrangements to reduce the tax they pay, providing a positive revenue interaction. Conversely, the higher overall tax burden provides a stronger incentive for affected entities to make greater use of alternative avoidance and evasion strategies, resulting in a negative revenue interaction.
- These two effects have been assumed to broadly offset each other.

Methodology

Interactions between the policy proposals have been estimated using the same models as the separate costings, calculating the financial implications of each proposal in isolation, and the financial implications associated with implementing all proposals together. The financial implications of the interactions between the proposals are the difference between the calculated change in revenue of all proposals implemented together and the sum of the change in revenue from each proposal implemented separately.

Interactions have been rounded to the nearest $100 million, and have been modelled to take into account the timing of tax collections.

Data sources

All data sources are consistent with the costing of each individual proposal.

Attachment A – Budget analysis of interactions between the Australian Labor Party's election commitments – financial implications

Table A1: Budget analysis of interactions between the Australian Labor Party's election commitments – Fiscal and underlying balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	**Total to 2022–23**	**Total to 2029–30**
Revenue	*..*	*-200*	*-100*	*..*	*..*	*100*	*100*	*100*	*200*	*200*	*300*	***-300***	***600***
Total – revenue	**..**	**-200**	**-100**	**..**	**..**	**100**	**100**	**100**	**200**	**200**	**300**	**-300**	**600**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

Attachment B – Budget analysis of interactions between the Australian Labor Party's election commitments – Detailed breakdown

This attachment provides further details on the estimated material interactions between policy proposals. The magnitude of the interaction between any pair of proposals depends on the order in which these are examined, however the aggregated impact of the interactions is invariant to the order in which these are examined.

The seven policy proposals identified as having material interactions have been grouped as follows.

A – Personal income tax changes: includes *Not support Stages 2 and 3 of the Government's unfair tax plan* (PER425), *Labor's fairer income tax cuts* (PER411), and *Budget repair levy* (PER422)

B – *Negative gearing and capital gains tax (CGT) reform* (PER414)

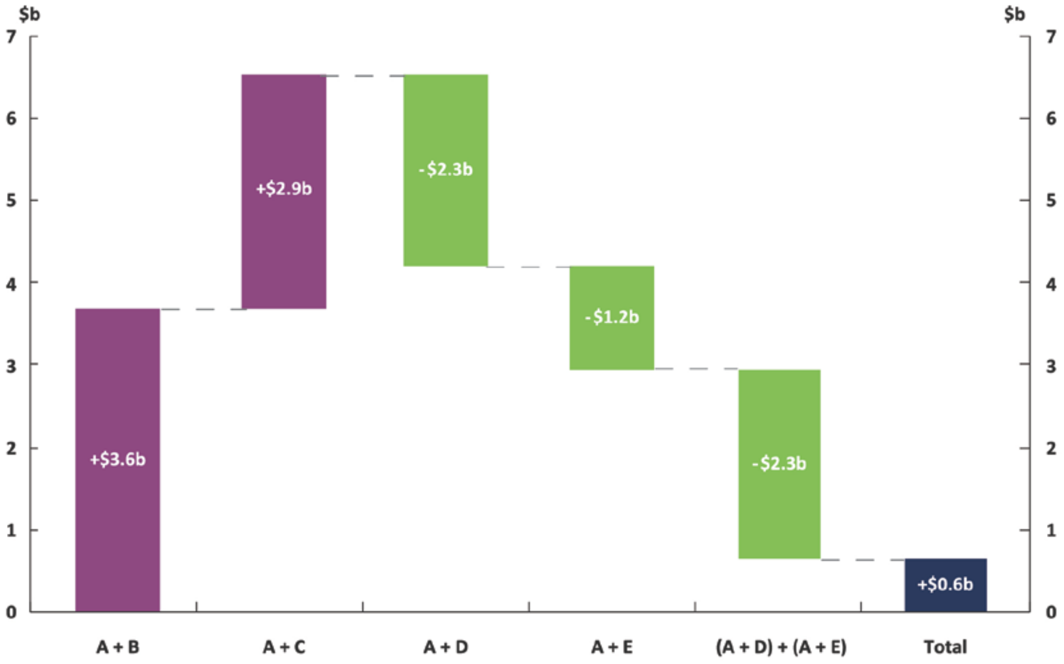
C – *Superannuation reforms* (PER420)

D – *Discretionary trust reform* (PER404)

E – *Reforming dividend imputation* (PER419)

Figure B1 below shows the key interactions between the identified proposals over the period to 2029-30. For example, the first column shows that implementing the personal income tax changes and the negative gearing and CGT reform together increases the expected revenue gain from implementing each proposal on its own. The final column shows the net interactions impact of implementing all seven policy proposals together.

Figure B1: Aggregate impact on the fiscal and underlying cash balances of key interactions over period to 2029-30



Note: Figures may not sum to totals due to rounding.

The key drivers of these interactions are as follows.

- The negative gearing and capital gains tax reform would interact positively with the personal income tax changes by $3,600 million.
  - This is because the negative gearing and capital gains tax reforms would increase the taxable income reported by affected individuals, which would be taxed at higher marginal tax rates (on average) under the personal income tax changes.
  - This interaction is small over the period to 2021-22, but would increase significantly over time as the proposal matures, and after the proposed personal income tax changes in both 2022-23 and 2024-25.
- The superannuation reforms would interact positively with the personal income tax changes by $2,900 million.
  - This is because the superannuation package would reduce the limits on concessional contributions, which would increase income taxed outside of superannuation. This income would be taxed at higher marginal tax rates (on average) under the personal income tax changes.
  - This interaction is small over the period to 2021-22, but would increase significantly after the proposed personal income tax changes in both 2022-23 and 2024-25.
- The minimum tax rate on trust distributions would interact negatively with the personal income tax changes by $2,300 million.
  - This is because the personal income tax changes would increase both marginal and average tax rates (in net terms), which would increase the tax liability on trust distributions before the minimum tax rate is applied.
- The franking credits reform would interact negatively with the personal income tax changes by $1,200 million.
  - This is because the personal income tax changes would, on average, increase the tax liability of individuals, which would increase the amount of tax that can be offset by non-refundable franking credits.
- The minimum tax rate on trust distributions and the personal income tax changes (taken together) would interact negatively with the franking credit reform and the personal income tax changes (taken together) by $2,300 million.
  - This is because the minimum tax rate on trust distributions would increase the amount of tax that can be offset by non-refundable franking credits.
- The net fiscal impact of the interactions between these seven policy proposals is to increase the revenue raised by $600 million, compared with the sum of the fiscal impacts of the individual proposals. This implies that the total net impact of these seven proposals is to raise $381,560 million in revenue over the period from 2019-20 to 2029-30.

Parliamentary Budget Office

Policy costings

Various capped costings	
Party:	Australian Labor Party
This document details the administered, departmental and total funding amounts for capped costings included in Appendix B, Table B-1 of the 2019 Post-election report.	

Various capped costings – Underlying cash balance ($m)

		2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Australian climate change assessment	*Administered*	-	-	-	-	-
	Departmental[(c)]	*-5.0*	-	-	-	***-5.0***
	Total	**-5.0**	**-**	**-**	**-**	**-5.0**
Bioenergy strategy	*Administered*	*-2.0*	-	-	-	***-2.0***
	Departmental[(b)]	-	-	-	-	-
	Total	**-2.0**	**-**	**-**	**-**	**-2.0**
Boosting CSIRO Climate Science Centre capabilities	*Administered*	-	-	-	-	-
	Departmental[(c)]	-	*-3.0*	*-3.0*	*-4.0*	***-10.0***
	Total	**-**	**-3.0**	**-3.0**	**-4.0**	**-10.0**
Carbon offset research and development	*Administered*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	***-40.0***
	Departmental[(b)]	-	-	-	-	-
	Total	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-40.0**
Carbon standards	*Administered*	-	-	-	-	-
	Departmental[(c)]	*-0.5*	*-0.5*	*-0.5*	-	***-1.5***
	Total	**-0.5**	**-0.5**	**-0.5**	**-**	**-1.5**
Clean Energy Regulator auditing and inspection regime	*Administered*	*-2.5*	*-2.5*	*-2.5*	*-2.5*	***-10.0***
	Departmental[(b)]	-	-	-	-	-
	Total	**-2.5**	**-2.5**	**-2.5**	**-2.5**	**-10.0**
Clean Energy Training Fund	*Administered*	*-2.5*	*-2.5*	*-2.5*	*-2.5*	***-10.0***
	Departmental[(b)]	-	-	-	-	-
	Total	**-2.5**	**-2.5**	**-2.5**	**-2.5**	**-10.0**

		2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Clean Our Oceans Program	*Administered*	*-0.5*	*-1.0*	*-1.0*	*-0.5*	***-3.0***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-0.5**	**-1.0**	**-1.0**	**-0.5**	**-3.0**
Climate Adaptation and Coastal Rehabilitation Plan	*Administered*	-	*-13.0*	*-13.0*	*-13.0*	***-39.0***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-**	**-13.0**	**-13.0**	**-13.0**	**-39.0**
Council of Australian Governments (COAG) Energy Affordability and Productivity Review	*Administered*	*-2.0*	*-3.0*	*-3.0*	*-2.0*	***-10.0***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-2.0**	**-3.0**	**-3.0**	**-2.0**	**-10.0**
Community environment measures	*Administered*	*-1.3*	*-5.6*	*-5.6*	*-5.6*	***-18.0***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-1.3**	**-5.6**	**-5.6**	**-5.6**	**-18.0**
Continuing funding for Primary Industries Education Foundation Australia	*Administered*	*-0.1*	*-0.1*	*-0.1*	*-0.1*	***-0.4***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.4**
Energy efficiency accreditation and training	*Administered*	-	-	-	-	**-**
	Departmental[(c)]	*-2.0*	*-3.0*	*-3.0*	*-2.0*	***-10.0***
	Total	**-2.0**	**-3.0**	**-3.0**	**-2.0**	**-10.0**
Environmental law reform	*Administered*	-	-	-	-	**-**
	Departmental[(c)]	*-7.5*	*-7.5*	*-2.5*	*-2.5*	***-20.0***
	Total	**-7.5**	**-7.5**	**-2.5**	**-2.5**	**-20.0**
Federal Environmental Protection Agency	*Administered*	-	-	-	-	**-**
	Departmental[(c)]	-	*-10.0*	*-10.0*	*-10.0*	***-30.0***
	Total	**-**	***-10.0***	***-10.0***	***-10.0***	***-30.0***
Getting the Basin Plan back on track	*Administered*	*-2.0*	*-9.0*	*-5.0*	*-5.0*	***-21.0***
	Departmental[(c)]	*-2.5*	*-5.0*	*-5.0*	*-5.0*	***-17.5***
	Total	**-4.5**	**-14.0**	**-10.0**	**-10.0**	**-38.5**
Household Battery Program	*Administered*	*-20.0*	*-60.0*	*-60.0*	*-60.0*	***-200.0***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-20.0**	**-60.0**	**-60.0**	**-60.0**	**-200.0**
Inspector-General of Animal Welfare and Live Animal Exports	*Administered*	-	-	-	-	**-**
	Departmental[(c)]	*-1.0*	*-1.0*	*-1.0*	*-1.0*	***-4.0***
	Total	**-1.0**	**-1.0**	**-1.0**	**-1.0**	**-4.0**
Land clearing reforms, tools and maps	*Administered*	*-2.0*	*-2.0*	*-2.0*	*-2.0*	***-8.0***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-2.0**	**-2.0**	**-2.0**	**-2.0**	**-8.0**

		2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Manufacturing Energy Efficiency Accelerator Program	*Administered*	*-5.0*	*-5.0*	*-5.0*	*-5.0*	***-20.0***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-5.0**	**-5.0**	**-5.0**	**-5.0**	**-20.0**
Marine parks	*Administered*	*-20.0*	*-22.0*	-	-	***-42.0***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-20.0**	**-22.0**	**-**	-	**-42.0**
National Recreational Fishing Strategy	*Administered*	*-5.0*	*-5.5*	*-10.0*	*-15.0*	***-35.5***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-5.0**	**-5.5**	**-10.0**	**-15.0**	**-35.5**
Native Species Protection Fund	*Administered*	*-12.5*	*-25.0*	*-25.0*	*-25.0*	***-87.5***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-12.5**	**-25.0**	**-25.0**	**-25.0**	**-87.5**
Nature tracks	*Administered*	*-0.2*	*-0.4*	*-0.2*	-	***-0.8***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-0.2**	**-0.4**	**-0.2**	**-**	**-0.8**
Neighbourhood Renewables Program	*Administered*	*-15.0*	*-30.0*	*-30.0*	*-25.0*	***-100.0***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-15.0**	**-30.0**	**-30.0**	**-25.0**	**-100.0**
Plan for forestry and forest products industries	*Administered*	-	-	-	*-6.0*	***-6.0***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-**	**-**	**-**	**-6.0**	**-6.0**
Public charging infrastructure for electric vehicles	*Administered*	-	*-15.0*	*-15.0*	*-20.0*	***-50.0***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-**	**-15.0**	**-15.0**	**-20.0**	**-50.0**
Research into Tasmanian ocean health	*Administered*	*-0.8*	-	-	-	***-0.8***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-0.8**	-	-	-	**-0.8**
Retain the Climate Change Authority	*Administered*	-	-	-	-	**-**
	Departmental[(c)]	*-3.0*	*-7.0*	*-7.0*	*-7.0*	***-24.0***
	Total	**-3.0**	**-7.0**	**-7.0**	**-7.0**	**-24.0**
Strategic Meat Industry Plan	*Administered*	-	*-2.0*	-	-	***-2.0***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-**	***-2.0***	**-**	**-**	***-2.0***
Tasmanian Irrigation Scheme tranche three	*Administered*	-	-	*-20.0*	*-20.0*	***-40.0***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-**	**-**	**-20.0**	**-20.0**	**-40.0**

		2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Urban rivers and corridors	*Administered*	*-5.0*	*-5.0*	*-10.0*	*-20.0*	***-40.0***
	Departmental(b)	-	-	-	-	-
	Total	**-5.0**	**-5.0**	**-10.0**	**-20.0**	**-40.0**
Waste and recycling policy	*Administered*	*-5.0*	*-15.0*	*-15.0*	*-15.0*	***-50.0***
	Departmental(b)	-	-	-	-	-
	Total	**-5.0**	**-15.0**	**-15.0**	**-15.0**	**-50.0**
Accredited advisors	*Administered*	-	-	-	-	-
	Departmental(c)	-	*-0.2*	*-0.2*	*-0.2*	***-0.6***
	Total	-	**-0.2**	**-0.2**	**-0.2**	**-0.6**
Additional specialist financial rights lawyers	*Administered*	*-15.0*	*-30.0*	*-30.0*	*-30.0*	***-105.0***
	Departmental(b)	-	-	-	-	-
	Total	**-15.0**	**-30.0**	**-30.0**	**-30.0**	**-105.0**
Advocacy funding for Australian Defence Force (ADF) members at the Defence Force Remuneration Tribunal	*Administered*	*-0.1*	*-0.1*	*-0.1*	*-0.1*	***-0.4***
	Departmental(b)	-	-	-	-	-
	Total	***-0.1***	***-0.1***	***-0.1***	***-0.1***	***-0.4***
Australian Federal Police (AFP) mental health support services	*Administered*	-	-	-	-	-
	Departmental(c)	*-1.3*	*-1.3*	*-1.3*	*-1.3*	***-5.0***
	Total	**-1.3**	**-1.3**	**-1.3**	**-1.3**	**-5.0**
Australian Federal Police (AFP) overseas officers	*Administered*	-	-	-	-	-
	Departmental(c)	*-10.2*	*-10.2*	*-10.3*	*-10.4*	***-41.1***
	Total	**-10.2**	**-10.2**	**-10.3**	**-10.4**	**-41.1**
Art therapy trial	*Administered*	*-0.5*	*-0.5*	*-0.5*	*-0.5*	***-2.0***
	Departmental(b)	-	-	-	-	-
	Total	***-0.5***	***-0.5***	***-0.5***	***-0.5***	***-2.0***
Carer Retreat Grant Program	*Administered*	*-1.0*	*-1.0*	*-1.0*	*-1.0*	***-4.0***
	Departmental(b)	-	-	-	-	-
	Total	**-1.0**	**-1.0**	**-1.0**	**-1.0**	**-4.0**
Comprehensive veterans' employment package	*Administered*	*-28.6*	*-45.5*	*-31.6*	*-30.3*	***-136.0***
	Departmental(b)	-	-	-	-	-
	Offsets from within existing resources(d)	*28.6*	*45.5*	*31.6*	*30.3*	***136.0***
	Total	-	-	-	-	-
Family Engagement and Support Strategy	*Administered*	*-0.5*	*-1.0*	*-0.5*	-	***-2.0***
	Departmental(b)	-	-	-	-	-
	Offsets from within existing resources(d)	*0.5*	*1.0*	*0.5*	-	***2.0***
	Total	-	-	-	-	-

		2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
FutureAsia – Advisory Council on Asia Capabilities	*Administered*	-	*-3.0*	*-3.0*	*-3.0*	***-9.0***
	Departmental(b)	-	-	-	-	-
	Total	**-**	**-3.0**	**-3.0**	**-3.0**	**-9.0**
FutureAsia – annual trade missions to China, India and Indonesia	*Administered*	-	*0.5*	*0.5*	*0.6*	***1.6***
	Departmental(c)	-	*-3.5*	*-3.5*	*-3.8*	***-10.8***
	Total	**-**	**-3.0**	**-3.0**	**-3.2**	**-9.2**
FutureAsia – drawing on the capabilities of Australians living and working in Asia	*Administered*	-	-	-	-	-
	Departmental(c)	-	*-1.0*	*-1.0*	*-1.0*	***-3.0***
	Total	**-**	**-1.0**	**-1.0**	**-1.0**	**-3.0**
FutureAsia – establish an ASEAN-Australian Studies Centre	*Administered*	-	-	-	-	-
	Departmental(c)	-	*-5.0*	*-1.0*	*-1.0*	***-7.0***
	Total	**-**	**-5.0**	**-1.0**	**-1.0**	**-7.0**
FutureAsia – expanding Australia's footprint in the Indo-Pacific	*Administered*	-	-	-	-	-
	Departmental(c)	-	*-6.7*	*-13.8*	*-17.5*	***-37.8***
	Total	**-**	**-6.7**	**-13.8**	**-17.5**	**-37.8**
FutureAsia – growing our capability via our Australia-based Asian diaspora	*Administered*	-	-	-	-	-
	Departmental(c)	-	*-1.0*	*-1.0*	*-1.0*	***-3.0***
	Total	**-**	**-1.0**	**-1.0**	**-1.0**	**-3.0**
FutureAsia – Independent Indonesia Economic Strategy	*Administered*	-	-	-	-	-
	Departmental(c)	-	*-1.0*	-	-	***-1.0***
	Total	**-**	**-1.0**	**-**	**-**	**-1.0**
FutureAsia – internships	*Administered*	-	-	-	-	-
	Departmental(c)	-	*-4.2*	*-0.4*	*-0.4*	***-5.0***
	Total	**-**	**-4.2**	**-0.4**	**-0.4**	**-5.0**
FutureAsia – mentoring program for Asia-capable business leaders	*Administered*	-	-	-	-	-
	Departmental(c)	-	*-1.0*	*-1.0*	*-1.0*	***-3.0***
	Total	**-**	**-1.0**	**-1.0**	**-1.0**	**-3.0**
FutureAsia – seven new dedicated geo-economic positions in the Department of Foreign Affairs and Trade's (DFAT's) overseas network	*Administered*	-	-	-	-	-
	Departmental(c)	-	*-1.8*	*-1.8*	*-1.8*	***-5.5***
	Total	**-**	**-1.8**	**-1.8**	**-1.8**	**-5.5**
Greater choice of boots and backpacks for the Australian Defence Force (ADF)	*Administered*	-	-	-	-	-
	Departmental(b)	-	-	-	-	-
	Total	**-**	**-**	**-**	**-**	**-**
Humanitarian crisis affecting Rohingya	*Administered*	*-10.0*	-	-	-	***-10.0***
	Departmental(b)	-	-	-	-	-
	Total	**-10.0**	**-**	**-**	**-**	**-10.0**

		2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Increase funding for non-government organisations (NGOs) in the Australian NGO Cooperation Program	*Administered*	*-8.0*	*-8.0*	*-8.0*	*-8.0*	***-32.0***
	Departmental(b)	-	-	-	-	-
	Total	**-8.0**	**-8.0**	**-8.0**	**-8.0**	**-32.0**
Increased funding for the United Nations High Commissioner for Refugees (UNHCR)	*Administered*	*-50.0*	*-100.0*	*-115.0*	*-115.0*	***-380.0***
	Departmental(b)	-	-	-	-	-
	Total	**-50.0**	**-100.0**	**-115.0**	**-115.0**	**-380.0**
Independent Children's Advocate	*Administered*	-	-	-	-	-
	Departmental(c)	*-0.5*	*-0.5*	*-0.5*	*-0.6*	***-2.2***
	Total	**-0.5**	**-0.5**	**-0.5**	**-0.6**	**-2.2**
Independent oversight for Australian-funded facilities	*Administered*	-	-	-	-	-
	Departmental(c)	*-0.9*	*-0.9*	*-0.9*	-	***-2.7***
	Total	**-0.9**	**-0.9**	**-0.9**	**-**	**-2.7**
Kokoda Master Plan	*Administered*	-	-	-	-	-
	Departmental(c)	-	*-1.0*	*-1.0*	-	***-2.0***
	Total	**-**	**-1.0**	**-1.0**	**-**	**-2.0**
Longitudinal study – Phoenix Australia	*Administered*	*-1.5*	*-1.0*	*-1.0*	*-1.0*	***-4.5***
	Departmental(b)	-	-	-	-	-
	Total	**-1.5**	**-1.0**	**-1.0**	**-1.0**	**-4.5**
National Aerial Bushfire Fighting Fleet	*Administered*	*-4.8*	*-24.4*	*-48.8*	*-19.5*	***-97.4***
	Departmental(a)	*-0.2*	*-0.6*	*-1.2*	*-0.5*	***-2.6***
	Total	**-5.0**	**-25.0**	**-50.0**	**-20.0**	**-100.0**
National Aerial Firefighting Centre	*Administered*	*-7.0*	*-7.0*	*-7.0*	*-7.0*	***-28.0***
	Departmental(b)	-	-	-	-	-
	Total	**-7.0**	**-7.0**	**-7.0**	**-7.0**	**-28.0**
Pacific Avoidable Blindness and Vision Loss Fund	*Administered*	-	*-10.0*	*-10.0*	*-12.0*	***-32.0***
	Departmental(b)	-	-	-	-	-
	Total	**-**	**-10.0**	**-10.0**	**-12.0**	**-32.0**
Reforming the Community Sponsored Refugee Program	*Administered*	-	-	-	-	-
	Departmental(b)	-	-	-	-	-
	Total	**-**	**-**	**-**	**-**	**-**
Restoring funding for Environmental Defenders Offices	*Administered*	*-0.5*	*-4.5*	*-4.5*	*-4.5*	***-14.0***
	Departmental(b)	-	-	-	-	-
	Total	**-0.5**	**-4.5**	**-4.5**	**-4.5**	**-14.0**
Special Envoy for Refugee and Asylum Seeker Issues	*Administered*	-	-	-	-	-
	Departmental(c)	*-2.3*	*-2.3*	*-2.3*	*-2.3*	***-9.3***
	Total	**-2.3**	**-2.3**	**-2.3**	**-2.3**	**-9.3**

		2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Supporting Western Australia (WA) defence infrastructure and business	*Administered*	*-8.3*	*-3.3*	*-3.3*	*-*	***-15.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-8.3**	**-3.3**	**-3.3**	**-**	**-15.0**
Their Enduring Legacy grant program	*Administered*	*-5.0*	*-5.0*	*-5.0*	*-5.0*	***-20.0***
	Departmental[(b)]	-	-	-	-	**-**
	Total	**-5.0**	**-5.0**	**-5.0**	**-5.0**	**-20.0**
United Nations (UN) Relief and Works Agency for Palestine Refugees	*Administered*	*-20.0*	*-*	*-*	*-*	***-20.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-20.0**	**-**	**-**	**-**	**-20.0**
Whistleblower Protection Authority	*Administered*	*-*	*-*	*-*	*-*	***-***
	Departmental[(c)]	*-0.4*	*-0.8*	*-0.8*	*-0.8*	***-2.9***
	Total	**-0.4**	**-0.8**	**-0.8**	**-0.8**	**-2.9**
Williamtown Drainage Fund	*Administered*	*-10.0*	*-10.0*	*-*	*-*	***-20.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Offsets from within existing resources[(d)]	*10.0*	*10.0*	*-*	*-*	***20.0***
	Total	**-**	**-**	**-**	**-**	**-**
Apprenticeship Advocate and support	*Administered*	*-2.8*	*-2.9*	*-2.9*	*-2.9*	***-11.3***
	Departmental[(c)]	*-2.0*	*-2.0*	*-2.0*	*-2.0*	***-7.9***
	Total	**-4.8**	**-4.9**	**-4.9**	**-4.9**	**-19.2**
Building TAFE for the Future Fund	*Administered*	*-9.5*	*-53.6*	*-131.6*	*-*	***-194.8***
	Departmental[(a)]	*-0.5*	*-1.4*	*-3.4*	*-*	***-5.2***
	Total	**-10.0**	**-55.0**	**-135.0**	**-**	**-200.0**
Community language schools	*Administered*	*-2.0*	*-2.0*	*-2.0*	*-2.0*	***-8.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-2.0**	**-2.0**	**-2.0**	**-2.0**	**-8.0**
Education First Youth Foyers	*Administered*	*-*	*-10.0*	*-10.0*	*-10.0*	***-30.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-10.0**	**-10.0**	**-10.0**	**-30.0**
eSmart Digital Licence	*Administered*	*-1.3*	*-1.3*	*-*	*-*	***-2.5***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-1.3**	**-1.3**	**-**	**-**	**-2.5**
Funding for Healthy Harold	*Administered*	*-0.4*	*-0.4*	*-0.4*	*-0.4*	***-1.6***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-0.4**	**-0.4**	**-0.4**	**-0.4**	**-1.6**
Further education initiatives	*Administered*	*-8.6*	*-8.6*	*-6.2*	*-2.0*	***-25.4***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-8.6**	**-8.6**	**-6.2**	**-2.0**	**-25.4**

		2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
FutureAsia – Asia-capable schools	*Administered*	*-*	*-6.0*	*-6.0*	*-6.0*	***-18.0***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-6.0**	**-6.0**	**-6.0**	**-18.0**
FutureAsia – better data collection	*Administered*	*-*	*-1.0*	*-1.0*	*-1.0*	***-3.0***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-1.0**	**-1.0**	**-1.0**	**-3.0**
FutureAsia – developing high quality Asian language curriculum materials	*Administered*	*-*	*-4.5*	*-4.5*	*-4.5*	***-13.5***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-4.5**	**-4.5**	**-4.5**	**-13.5**
FutureAsia – new scholarship program for those undertaking teaching courses in Asian languages	*Administered*	*-*	*-1.0*	*-2.0*	*-2.0*	***-5.0***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-1.0**	**-2.0**	**-2.0**	**-5.0**
FutureAsia – restore funding to the Asia Education Foundation	*Administered*	*-*	*-1.6*	*-1.6*	*-1.7*	***-4.9***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-1.6**	**-1.6**	**-1.7**	**-4.9**
Local school commitments	*Administered*	*-14.5*	*-14.5*	*-*	*-*	***-29.0***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-14.5**	**-14.5**	**-**	**-**	**-29.0**
National Principal's Academy	*Administered*	*-2.4*	*-5.2*	*-11.7*	*-17.0*	***-36.3***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-2.4**	**-5.2**	**-11.7**	**-17.0**	**-36.3**
National Quality Agenda	*Administered*	*-20.0*	*-20.0*	*-20.0*	*-20.0*	***-80.0***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-20.0**	**-20.0**	**-20.0**	**-20.0**	**-80.0**
National Schools Evidence Institute	*Administered*	*-15.4*	*-14.5*	*-24.1*	*-28.9*	***-82.9***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-15.4**	**-14.5**	**-24.1**	**-28.9**	**-82.9**
Playgroups and toy libraries	*Administered*	*-1.1*	*-2.5*	*-2.5*	*-*	***-6.1***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-1.1**	**-2.5**	**-2.5**	**-**	**-6.1**
Support for students with a disability	*Administered*	*-25.0*	*-125.0*	*-100.0*	*-50.0*	***-300.0***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-25.0**	**-125.0**	**-100.0**	**-50.0**	**-300.0**
TAFE – adult-apprentices	*Administered*	*-10.5*	*-21.0*	*-21.0*	*-21.0*	***-73.5***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-10.5**	**-21.0**	**-21.0**	**-21.0**	**-73.5**

		2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
A voice for First Nations people	*Administered*	-	-	-	-	**-**
	Departmental(b)	-	-	-	-	**-**
	Total	**-**	**-**	**-**	**-**	**-**
Closing the indigenous justice gap	*Administered*	*-13.3*	*-17.5*	*-17.5*	*-17.5*	***-65.8***
	Departmental(b)	-	-	-	-	**-**
	Total	**-13.3**	**-17.5**	**-17.5**	**-17.5**	**-65.8**
First Nations Media	*Administered*	*-0.5*	*-1.0*	*-0.5*	-	***-2.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-0.5**	**-1.0**	**-0.5**	**-**	**-2.0**
First Nations people policy	*Administered*	*-5.0*	*-1.0*	*-1.0*	*-1.0*	***-8.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-5.0**	**-1.0**	**-1.0**	**-1.0**	**-8.0**
Indigenous environment initiatives	*Administered*	*-2.0*	*-4.5*	*-23.5*	*-22.5*	***-52.5***
	Departmental(b)	-	-	-	-	**-**
	Total	**-2.0**	**-4.5**	**-23.5**	**-22.5**	**-52.5**
Indigenous theatre	*Administered*	-	*-2.0*	*-3.0*	*-6.0*	***-11.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-**	**-2.0**	**-3.0**	**-6.0**	**-11.0**
Local truth-telling initiatives	*Administered*	-	*-1.3*	*-3.0*	*-5.0*	***-9.3***
	Departmental(b)	-	-	-	-	**-**
	Total	**-**	**-1.3**	**-3.0**	**-5.0**	**-9.3**
National Congress of Australia's First Peoples	*Administered*	*-1.0*	-	-	-	***-1.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-1.0**	**-**	**-**	**-**	**-1.0**
Redirected uncommitted funding from the Indigenous Advancement Strategy	*Administered*	*17.3*	*50.0*	*51.4*	*41.1*	***159.8***
	Departmental(b)	-	-	-	-	**-**
	Total	**17.3**	**50.0**	**51.4**	**41.1**	**159.8**
Remote housing	*Administered*	*-251.1*	-	-	-	***-251.1***
	Departmental(b)	-	-	-	-	**-**
	Total	**-251.1**	**-**	**-**	**-**	**-251.1**
Stars Foundation Funding	*Administered*	*-2.5*	*-5.8*	*-7.2*	*-4.0*	***-19.5***
	Departmental(b)	-	-	-	-	**-**
	Total	**-2.5**	**-5.8**	**-7.2**	**-4.0**	**-19.5**
Strengthening Australian languages	*Administered*	*-4.0*	-	-	-	***-4.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-4.0**	**-**	**-**	**-**	**-4.0**

		2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Transitional regional assemblies	*Administered*	*-5.0*	*-*	*-*	*-*	***-5.0***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-5.0**	**-**	**-**	**-**	**-5.0**
Darwin ship lift	*Administered*	*-*	*-50.0*	*-50.0*	*-100.0*	***-200.0***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-50.0**	**-50.0**	**-100.0**	**-200.0**
Inland Rail inquiry	*Administered*	*-2.0*	*-*	*-*	*-*	***-2.0***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-2.0**	**-**	**-**	**-**	**-2.0**
Local community and environment projects	*Administered*	*-60.0*	*-110.0*	*-118.0*	*-115.0*	***-403.0***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-60.0**	**-110.0**	**-118.0**	**-115.0**	**-403.0**
Local infrastructure projects	*Administered*	*-20.0*	*-50.0*	*-85.0*	*-50.0*	***-205.0***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-20.0**	**-50.0**	**-85.0**	**-50.0**	**-205.0**
National infrastructure projects	*Administered*	*-24.9*	*-169.1*	*-197.2*	*-263.9*	***-655.1***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-24.9**	**-169.1**	**-197.2**	**-263.9**	**-655.1**
National tourism projects	*Administered*	*-25.9*	*-43.4*	*-36.0*	*-42.0*	***-147.3***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-25.9**	**-43.4**	**-36.0**	**-42.0**	**-147.3**
Northern Australia Development Fund	*Administered*	*-*	*-*	*-*	*-*	***-***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-**	**-**	**-**	**-**
Northern Australia Tourism Infrastructure Fund	*Administered*	*-*	*-*	*-*	*-*	***-***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-**	**-**	**-**	**-**
Abolish Youth PaTH internships and replace with the Youth Employment Fund	*Administered*	*-*	*-*	*-*	*-*	***-***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-**	**-**	**-**	**-**
Australian advanced manufacturing initiatives	*Administered*	*-5.3*	*-5.8*	*-1.0*	*-0.5*	***-12.5***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-5.3**	**-5.8**	**-1.0**	**-0.5**	**-12.5**
Data science for Square Kilometre Array (SKA)	*Administered*	*-0.5*	*-1.0*	*-2.0*	*-2.0*	***-5.5***
	Departmental(b)	*-*	*-*	*-*	*-*	***-***
	Total	**-0.5**	**-1.0**	**-2.0**	**-2.0**	**-5.5**

		2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Electric Vehicle Manufacturing and Innovation Strategy	*Administered*	*-*	*-17.0*	*-20.0*	*-20.0*	***-57.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-17.0**	**-20.0**	**-20.0**	**-57.0**
Funding to support and expand Ethical Clothing Australia	*Administered*	*-2.0*	*-2.0*	*-2.0*	*-2.0*	***-8.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-2.0**	**-2.0**	**-2.0**	**-2.0**	**-8.0**
Future mines and jobs	*Administered*	*-*	*-*	*-*	*-*	***-***
	Departmental[(c)]	*-5.0*	*-33.7*	*-32.2*	*-32.2*	***-103.0***
	Total	**-5.0**	**-33.7**	**-32.2**	**-32.2**	**-103.0**
Marine and reef science in Northern Australia	*Administered*	*-*	*-*	*-*	*-*	***-***
	Departmental[(c)]	*-*	*-14.0*	*-20.0*	*-31.0*	***-65.0***
	Total	**-**	**-14.0**	**-20.0**	**-31.0**	**-65.0**
National Centre of Artificial Intelligence (AI) Excellence	*Administered*	*-*	*-*	*-*	*-*	***-***
	Departmental[(c)]	*-*	*-1.0*	*-1.0*	*-1.0*	***-3.0***
	Total	**-**	**-1.0**	**-1.0**	**-1.0**	**-3.0**
National food and fibre strategy	*Administered*	*-2.0*	*-8.5*	*-8.5*	*-6.0*	***-25.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-2.0**	**-8.5**	**-8.5**	**-6.0**	**-25.0**
Redirected funding from the Industry Growth Centres and Entrepreneurs' Program	*Administered*	*12.2*	*93.0*	*106.3*	*98.3*	***309.7***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**12.2**	**93.0**	**106.3**	**98.3**	**309.7**
Regional Digital Skills Hubs	*Administered*	*-5.5*	*-7.0*	*-7.0*	*-5.5*	***-25.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-5.5**	**-7.0**	**-7.0**	**-5.5**	**-25.0**
Research in Australia review	*Administered*	*-1.0*	*-*	*-*	*-*	***-1.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-1.0**	**-**	**-**	**-**	**-1.0**
Science and research infrastructure	*Administered*	*-2.5*	*-25.5*	*-24.0*	*-3.0*	***-55.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-2.5**	**-25.5**	**-24.0**	**-3.0**	**-55.0**
Strategic Industries Fund	*Administered*	*-10.0*	*-30.0*	*-40.0*	*-50.0*	***-130.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-10.0**	**-30.0**	**-40.0**	**-50.0**	**-130.0**
Tradie Litigation Fund	*Administered*	*-*	*-2.0*	*-3.0*	*-3.0*	***-8.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-2.0**	**-3.0**	**-3.0**	**-8.0**

		2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Tradie Pay Guarantee	*Administered*	-	-2.0	-2.5	-2.5	***-7.0***
	Departmental(b)	-	-	-	-	-
	Total	**-**	**-2.0**	**-2.5**	**-2.5**	**-7.0**
Emergency department upgrades	*Administered*	-	-62.5	-62.5	-62.5	***-187.5***
	Departmental(b)	-	-	-	-	-
	Total	**-**	**-62.5**	**-62.5**	**-62.5**	**-187.5**
Ending the Medicare freeze	*Administered*	-	-	-	-	-
	Departmental(b)	-	-	-	-	-
	Total	**-**	**-**	**-**	**-**	-
Mental health	*Administered*	-8.5	-68.0	-68.0	-68.0	***-212.5***
	Departmental(b)	-	-	-	-	-
	Total	**-8.5**	**-68.0**	**-68.0**	**-68.0**	**-212.5**
National health initiatives	*Administered*	-7.8	-103.8	-103.3	-101.7	***-316.6***
	Departmental(b)	-	-	-	-	-
	Total	**-7.8**	**-103.8**	**-103.3**	**-101.7**	**-316.6**
Nepean Hospital	*Administered*	-	-	-	-	-
	Departmental(b)	-	-	-	-	-
	Total	**-**	**-**	**-**	**-**	**-**
Centrelink Mobile Service Centres	*Administered*	-	-	-	-	-
	Departmental(c)	-1.5	-0.3	-0.3	-0.3	***-2.3***
	Total	**-1.5**	**-0.3**	**-0.3**	**-0.3**	**-2.3**
Charities and not-for-profits package	*Administered*	-	-	-	-	-
	Departmental(c)	-1.3	-0.3	-0.3	-0.3	***-2.0***
	Total	**-1.3**	**-0.3**	**-0.3**	**-0.3**	**-2.0**
Doubling financial counsellors	*Administered*	-40.0	-80.0	-80.0	-80.0	**-280.0**
	Departmental(b)	-	-	-	-	-
	Total	**-40.0**	**-80.0**	**-80.0**	**-80.0**	**-280.0**
Doubling funding for not-for-profit microfinance programs	*Administered*	-8.5	-15.0	-15.0	-15.0	**-53.5**
	Departmental(b)	-	-	-	-	-
	Total	**-8.5**	**-15.0**	**-15.0**	**-15.0**	**-53.5**
Emergency relief grants	*Administered*	-10.0	-10.0	-10.0	-10.0	**-40.0**
	Departmental(b)	-	-	-	-	-
	Total	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-40.0**
Labor’s plan for food security	*Administered*	-3.0	-3.0	-3.0	-3.0	**-12.0**
	Departmental(b)	-	-	-	-	-
	Total	**-3.0**	**-3.0**	**-3.0**	**-3.0**	**-12.0**

		2019–20	2020–21	2021–22	2022–23	Total to 2022–23
LGBTIQ equality	*Administered*	*-1.3*	*-1.3*	*-1.3*	*-0.2*	***-4.0***
	Departmental[(c)]	*-*	*-1.0*	*-1.0*	*-1.0*	***-3.0***
	Total	**-1.3**	**-2.3**	**-2.3**	**-1.2**	**-7.0**
National Disability Insurance Scheme (NDIS) training entitlement and workforce support trial	*Administered*	*-10.0*	*-20.0*	*-10.0*	*-*	***-40.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-10.0**	**-20.0**	**-10.0**	**-**	**-40.0**
Redirected funding for financial counselling	*Administered*	*7.5*	*15.0*	*15.0*	*15.0*	***52.5***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**7.5**	**15.0**	**15.0**	**15.0**	**52.5**
Redirected funding from the Try, Test and Learn Fund	*Administered*	*18.4*	*8.2*	*0.2*	*0.2*	***27.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**18.4**	**8.2**	**0.2**	**0.2**	**27.0**
Review of Newstart adequacy	*Administered*	*-*	*-*	*-*	*-*	*-*
	Departmental[(b)]	*-*	*-*	*-*	*-*	*-*
	Total	**-**	**-**	**-**	**-**	**-**
Australian Securities and Investments Commission (ASIC) position in Western Australia	*Administered*	*-*	*-*	*-*	*-*	*-*
	Departmental[(c)]	*-0.2*	*-0.2*	*-0.2*	*-0.2*	***-0.8***
	Total	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.8**
Australian Taxation Office (ATO) Appeals Commissioner	*Administered*	*-*	*-*	*-*	*-*	*-*
	Departmental[(c)]	*-0.5*	*-0.5*	*-0.5*	*-0.5*	***-2.0***
	Total	**-0.5**	**-0.5**	**-0.5**	**-0.5**	**-2.0**
Centre for Small Business and Farming Financial Rights	*Administered*	*-5.0*	*-10.0*	*-10.0*	*-10.0*	***-35.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-5.0**	**-10.0**	**-10.0**	**-10.0**	**-35.0**
Council of Australian Governments (COAG) Economic Reform Council	*Administered*	*-*	*-*	*-*	*-*	***-***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-**	**-**	**-**	**-**
Free tax clinics	*Administered*	*-*	*-1.6*	*-1.6*	*-1.7*	***-4.9***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-1.6**	**-1.6**	**-1.7**	**-4.9**
National Housing Supply Council	*Administered*	*-*	*-*	*-*	*-*	***-***
	Departmental[(b)]	*-5.0*	*-5.0*	*-5.0*	*-5.0*	***-20.0***
	Total	**-5.0**	**-5.0**	**-5.0**	**-5.0**	**-20.0**
Organisation for Economic Co-operation and Development (OECD) Tax Inspectors Without Borders Program	*Administered*	*-*	*-5.0*	*-5.0*	*-5.0*	***-15.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-5.0**	**-5.0**	**-5.0**	**-15.0**

		2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Publish what you pay	*Administered*	-	-	-	-	**-**
	Departmental(b)	-	-	-	-	**-**
	Total	**-**	**-**	**-**	**-**	**-**
Reduction in Australian Public Service (APS) expenditure on contractors, consultants and travel	*Administered*	-	-	-	-	**-**
	Departmental(c)	*409.0*	*660.0*	*796.0*	*779.0*	***2,644.0***
	Total	**409.0**	**660.0**	**796.0**	**779.0**	**2,644.0**
Treasury Evaluator-General	*Administered*	-	-	-	-	**-**
	Departmental(c)	*-2.5*	*-5.0*	*-5.0*	*-5.0*	***-17.5***
	Total	**-2.5**	**-5.0**	**-5.0**	**-5.0**	**-17.5**
National Women's Alliances funding	*Administered*	*-0.1*	-	-	-	***-0.1***
	Departmental(b)	-	-	-	-	**-**
	Total	**-0.1**	**-**	**-**	**-**	**-0.1**
Preventing family violence – Family Violence Justice Fund	*Administered*	*-12.1*	*-27.3*	*-26.3*	*-24.3*	***-90.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-12.1**	**-27.3**	**-26.3**	**-24.3**	**-90.0**
Preventing family violence – flexible support packages	*Administered*	*-15.0*	*-15.0*	*-15.0*	*-15.0*	***-60.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-15.0**	**-15.0**	**-15.0**	**-15.0**	**-60.0**
Preventing family violence – integrated response model pilot	*Administered*	*-0.5*	*-1.0*	*-0.5*	-	***-2.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-0.5**	**-1.0**	**-0.5**	**-**	**-2.0**
Preventing family violence – Local Prevention and Frontline Service Grants	*Administered*	*-8.0*	*-18.0*	*-18.0*	*-18.0*	***-62.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-8.0**	**-18.0**	**-18.0**	**-18.0**	**-62.0**
Preventing family violence – new 10-year national plan and consultative group	*Administered*	*-0.2*	*-0.2*	*-0.2*	-	***-0.6***
	Departmental(b)	-	-	-	-	**-**
	Total	**-0.2**	**-0.2**	**-0.2**	**-**	**-0.6**
Preventing family violence – refuge blitz	*Administered*	-	*-39.0*	-	-	***-39.0***
	Departmental(a)	-	*-1.0*	-	-	***-1.0***
	Total	**-**	**-40.0**	**-**	**-**	**-40.0**
Preventing family violence – respectful relationships	*Administered*	*-5.0*	*-10.0*	*-10.0*	*-10.0*	***-35.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-5.0**	**-10.0**	**-10.0**	**-10.0**	**-35.0**
Preventing family violence – services for temporary visa holders	*Administered*	*-2.0*	*-1.5*	*-1.5*	-	***-5.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-2.0**	**-1.5**	**-1.5**	**-**	**-5.0**

		2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Reproductive health – Funding for SPHERE for online community of practice	*Administered*	*-2.0*	*-*	*-*	*-*	***-2.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	***-2.0***	***-***	***-***	***-***	***-2.0***
Reproductive health – national telephone referral service for medical terminations	*Administered*	*-1.3*	*-1.3*	*-1.3*	*-1.3*	***-5.2***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-1.3**	**-1.3**	**-1.3**	**-1.3**	**-5.2**
Safe Campus Taskforce	*Administered*	*-*	*-*	*-*	*-*	***-***
	Departmental[(c)]	*-0.6*	*-0.6*	*-0.6*	*-*	***-1.8***
	Total	**-0.6**	**-0.6**	**-0.6**	**-**	**-1.8**
Safe Housing Fund	*Administered*	*-20.9*	*-42.9*	*-21.4*	*-*	***-85.3***
	Departmental[(a)]	*-1.1*	*-1.1*	*-0.6*	*-*	***-2.8***
	Total	**-22.0**	**-44.0**	**-22.0**	**-**	**-88.1**
ABC local and regional media	*Administered*	*-*	*-*	*-*	*-*	***-***
	Departmental[(c)]	*-2.0*	*-4.0*	*-4.0*	*-*	***-10.0***
	Total	***-2.0***	***-4.0***	***-4.0***	***-***	***-10.0***
ABC news literacy and educational resources	*Administered*	*-*	*-*	*-*	*-*	***-***
	Departmental[(c)]	*-1.0*	*-1.0*	*-1.0*	*-*	***-3.0***
	Total	**-1.0**	**-1.0**	**-1.0**	**-**	**-3.0**
Additional funding for community legal centres and access to justice	*Administered*	*-16.0*	*-19.7*	*-19.7*	*-19.7*	***-75.1***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-16.0**	**-19.7**	**-19.7**	**-19.7**	**-75.1**
Arts policy	*Administered*	*-2.0*	*-14.9*	*-15.9*	*-16.0*	***-48.8***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-2.0**	**-14.9**	**-15.9**	**-16.0**	**-48.8**
Backing Tasmania football	*Administered*	*-*	*-*	*-*	*-*	***-***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-**	**-**	**-**	**-**
Building Multicultural Communities Program	*Administered*	*-*	*-1.5*	*-1.5*	*-1.5*	***-4.5***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-1.5**	**-1.5**	**-1.5**	**-4.5**
Community connection centres and hubs	*Administered*	*-*	*-1.0*	*-1.0*	*-1.0*	***-3.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-**	**-1.0**	**-1.0**	**-1.0**	**-3.0**
Contribution to Netball Australia	*Administered*	*-10.0*	*-10.0*	*-*	*-*	***-20.0***
	Departmental[(b)]	*-*	*-*	*-*	*-*	***-***
	Total	**-10.0**	**-10.0**	**-**	**-**	**-20.0**

		2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Corporate Crime Taskforce	*Administered*	-	-	-	-	**-**
	Departmental(c)	*-7.1*	*-0.5*	-	-	***-7.6***
	Total	**-7.1**	**-0.5**	**-**	**-**	**-7.6**
Creative economy	*Administered*	-	*-25.0*	*-30.0*	*-30.0*	***-85.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-**	**-25.0**	**-30.0**	**-30.0**	**-85.0**
Expanding access to culturally appropriate aged care facilities	*Administered*	*-15.0*	*-25.0*	*-30.0*	*-30.0*	***-100.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-15.0**	**-25.0**	**-30.0**	**-30.0**	**-100.0**
Expanding the Australian Cultural Diplomacy Grants Program	*Administered*	-	*-1.5*	*-1.5*	*-1.5*	***-4.5***
	Departmental(c)	-	*-0.3*	*-0.3*	*-0.3*	*-0.9*
	Total	-	**-1.8**	**-1.8**	**-1.8**	**-5.4**
Improving citizenship ceremonies	*Administered*	-	*-1.0*	*-1.0*	*-1.0*	***-3.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-**	**-1.0**	**-1.0**	**-1.0**	**-3.0**
Improving the Adult Migrant English Program	*Administered*	-	*-5.0*	*-5.0*	*-5.0*	***-15.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-**	**-5.0**	**-5.0**	**-5.0**	**-15.0**
Labor’s commitment to young Australians	*Administered*	-	*-1.6*	*-1.6*	*-1.6*	***-4.8***
	Departmental(b)	-	-	-	-	**-**
	Total	**-**	**-1.6**	**-1.6**	**-1.6**	**-4.8**
Local sports projects	*Administered*	*-20.0*	*-150.0*	*-133.0*	*-100.0*	***-403.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-20.0**	**-150.0**	**-133.0**	**-100.0**	**-403.0**
Multicultural arts and festivals	*Administered*	-	*-1.0*	*-1.0*	*-1.5*	***-3.5***
	Departmental(b)	-	-	-	-	**-**
	Total	**-**	**-1.0**	**-1.0**	**-1.5**	**-3.5**
Multicultural Australia and citizenship	*Administered*	-	-	-	-	**-**
	Departmental(c)	*-0.2*	*-5.0*	*-7.0*	*-7.0*	***-19.2***
	Total	**-0.2**	**-5.0**	**-7.0**	**-7.0**	**-19.2**
National Aboriginal Islander Skills Development Association (NAISDA) Dance College	*Administered*	*-2.5*	*-2.5*	-	-	***-5.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-2.5**	**-2.5**	**-**	**-**	**-5.0**
National Crime Prevention Fund	*Administered*	*-12.0*	*-7.5*	*-4.5*	*-6.0*	***-30.0***
	Departmental(b)	-	-	-	-	**-**
	Total	**-12.0**	**-7.5**	**-4.5**	**-6.0**	**-30.0**

		2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Redirected funding from the Safer Communities Fund	*Administered*	*12.4*	*17.8*	*8.8*	*10.3*	***49.3***
	Departmental[(a)]	*1.6*	*2.0*	*0.6*	*0.6*	***4.8***
	Total	**14.0**	**19.8**	**9.4**	**10.9**	**54.1**
Restoring funding to ABC	*Administered*	-	-	-	-	-
	Departmental[(c)]	*-14.6*	*-27.8*	*-41.3*	-	***-83.7***
	Total	**-14.6**	**-27.8**	**-41.3**	**-**	**-83.7**
Soundtrack Australia	*Administered*	*-5.7*	*-13.3*	*-11.3*	*-8.6*	***-38.8***
	Departmental[(b)]	-	-	-	-	-
	Total	**-5.7**	**-13.3**	**-11.3**	**-8.6**	**-38.8**

Notes to Table:

The Parliamentary Budget Office (PBO) has not undertaken any analysis to assess whether the proposed expenditures would be sufficient to achieve the objective of the policy proposals.

A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment.

Figures may not sum to totals due to rounding.

- Indicates nil.

(a) Departmental cost estimates are based on similar programs and account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance’s costing practices.

(b) The administration of this commitment is to be funded from existing departmental resources, or has an immaterial budget impact (less than $1 million per annum). For the purposes of this table, the PBO has made no assessment as to whether any given agency would be able to absorb the sum total of administrative costs for all relevant proposals.

(c) Departmental cost estimates are as specified in the policy proposal.

(d) These costs are assumed to be absorbed from existing resources as per the policy proposal.