



Parliamentary
Budget Office

APPENDIX F – COSTING
DOCUMENTATION FOR THE
AUSTRALIAN GREENS’
ELECTION COMMITMENTS

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Policy costing

Scrap the generous pension scheme for ex-Members of Parliament	
Party:	Australian Greens
Summary of proposal: The proposal would terminate the Parliamentary Contributory Superannuation Scheme (the Scheme) and associated pension benefits for all eligible beneficiary recipients from 1 July 2019. <ul style="list-style-type: none">• The Scheme's members who have not yet retired from Parliament would be provided with the sum of their total contributions, adjusted to reflect superannuation earnings while those contributions were invested in the Scheme, in the first year of the proposal.• Persons who are currently receiving a pension from the Scheme would be entitled to the sum of the total contributions, adjusted to reflect superannuation earnings while those contributions were invested in the Scheme, less the total pension amount paid out prior to the commencement of this proposal. The Prime Minister's scheme would continue.	

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by \$90 million over the 2019-20 Budget forward estimates period. This impact reflects the net effect of a decrease in expenses of \$146 million and a decrease in taxation revenue of \$56 million over this period.

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 Parliamentary Budget Office (PBO) makes no judgement about the feasibility of the proposal, including whether the proposal may give rise to a risk under section 51(xxxi) of the *Australian Constitution* relating to the unjust acquisition of property.

The financial implications of this proposal are sensitive to a number of factors, including the projected average annual pension amount payable under the Scheme, the growth of parliamentarians' salaries, the total contributions made from parliamentarians' salaries during their years of service, and the earnings on these contributions while in the Scheme. Due to the nature of information made available to the PBO, estimates are based on averages across all members rather than being informed by data on individual members.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-11	32	34	34	90
Underlying cash balance	-11	32	34	34	90

(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.

- Parliamentarians' salaries would grow by the average growth rate from 2013 to 2018.
- 10 per cent of currently serving parliamentarians who are eligible for the Scheme would retire each year from when the proposal starts.
- The average marginal personal income tax rate of the Scheme's recipients would be 30 per cent.
- Contributions from parliamentarians' salaries would earn an average net return of 5 per cent per annum.
- All affected pension recipients would claim a tax-free lump-sum payout of their contributions (adjusted for earnings growth on their contributions) in the first year of the policy.

Methodology

The Department of Finance provided information related to the Scheme, including the number of Scheme beneficiary recipients, the average annual pension amount payable, and the number of serving parliamentarians who were members of the Scheme as at 1 July 2018.

This information was used to estimate the financial implications of this proposal which represents the difference between the cost of paying out current serving parliamentarians and current pension beneficiaries, less the savings associated with no longer having to make future pension payments in respect of paid-out pensions under the baseline.

Pension payout amounts were calculated as per the proposal.

Baseline expenses for the Scheme over the medium term were projected by the current pension amount, grown by the estimated growth in the average salary of all parliamentarians over this period. These amounts were benchmarked to the 2017 long-term costs report.

Baseline taxation revenue was estimated based on the Scheme pension amount payable multiplied by the assumed marginal tax rate mentioned above.

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

Data sources

The Department of Finance provided information related to the Parliamentary Contributory Superannuation Scheme as at 2018-19 Mid-Year Economic and Fiscal Outlook.

Department of Finance, *Parliamentary Contributory Superannuation Scheme Handbook*, February 2019. [Online] Available at <https://www.finance.gov.au/sites/default/files/parliamentary-superannuation-handbook.pdf?v=1> [Accessed 8 April 2019].

Parliament of Australia, *The base salary for senators and members: 2018 update*. [Online] Available at https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1819/ParlBaseSal2018 [Accessed 8 April 2019].

Department of Finance, *PCSS Long Term Cost Report 2017* [Online] Available at <https://www.finance.gov.au/sites/default/files/2017%20PCSS%20LTCR.pdf> [Accessed 17 April 2019].

Attachment A – Scrap the generous pension scheme for ex-Members of Parliament – financial implications

Table A1: Scrap the generous pension scheme for ex-Members of Parliament – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
<i>Personal income tax</i>	-14	-14	-14	-15	-56
Total – revenue	-14	-14	-14	-15	-56
Expenses					
<i>Pension payments – lump sum payouts</i>	-42	-	-	-	-42
<i>Pension payments – amounts no longer paid due to cessation of Parliamentary Contributory Superannuation Scheme</i>	45	46	48	49	188
Total – expenses	3	46	48	49	146
Total	-11	32	34	34	90

- (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.



Policy costing

Establish a federal corruption watchdog with real teeth to clean up politics

Party: Australian Greens

Summary of proposal:

The proposal would establish a National Integrity Commission (the Commission) as an independent statutory agency. The Commission would investigate matters relating to the Australian Public Service and the Parliament. Funding would be indexed to the consumer price index (CPI). Where functions overlap, funding for the 2019-20 Budget measure *Commonwealth Integrity Commission* would be redirected towards this proposal.

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 \$44.6 million over the 2019-20 Budget forward estimates period. This entirely reflects an increase in departmental expenses, including an increase of \$9.7 million in departmental capital related to establishing the Commission.

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 financial implications of this proposal are sensitive to the size and scope of the proposed Commission and the extent to which functions of the proposed Commission overlap with those of the Commonwealth Integrity Commission.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-16.0	-15.0	-6.6	-6.9	-44.6
Underlying cash balance	-16.0	-15.0	-6.6	-6.9	-44.6

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

- The Commission would be of a similar size and scope to the New South Wales Independent Commission Against Corruption (NSW ICAC).
- Capital works relating to the establishment of the Commission would be undertaken over the first two years from the establishment date of 1 July 2019.
- Departmental expenses for the public sector integrity function of the 2019-20 Budget measure *Commonwealth Integrity Commission* would be redirected towards this proposal.
 - The Commonwealth Integrity Commission announced by the Commonwealth Government on 13 December 2018 has two broad functions: law enforcement integrity, incorporating the existing structure, jurisdiction and powers of the Australian Commission for Law Enforcement Integrity, and a new public sector integrity function. This new second function is assumed to overlap with the function of the Commission in this proposal.

Methodology

Departmental expenses for the proposed Commission are based on projected NSW ICAC expenses, adjusted for redirected Commonwealth Integrity Commission funding as described above.

- NSW ICAC expenses for 2017-18 were projected to account for the net effect of the CPI and the efficiency dividend, in accordance with the Department of Finance's costing practices.
- Departmental capital expenses were estimated based on expenses for the upgrade of infrastructure for the NSW ICAC.
- Departmental expenses for the public sector integrity function of the 2019-20 Budget measure *Commonwealth Integrity Commission* were projected to account for the net effect of the CPI and the efficiency dividend, in accordance with the Department of Finance's costing practices.

Data sources

The Attorney-General's Department provided information on the 2019-20 Budget measure *Commonwealth Integrity Commission*.

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

The Treasury provided the CPI projections as at the 2019 Pre-election Economic and Fiscal Outlook.

Attorney-General's Department, *Commonwealth Integrity Commission*. [Online] Available at <https://www.ag.gov.au/Consultations/Pages/commonwealth-integrity-commission.aspx> [Accessed 28.04.2019].

New South Wales Independent Commission Against Corruption Annual Reports, 2013-14 to 2017-18. [Online] Available at <https://www.icac.nsw.gov.au/about-the-nsw-icac/nsw-icac-publications/nsw-icac-corporate-publications/annual-reports> [Accessed 27.04.2019].

Attachment A – Establish a federal corruption watchdog with real teeth to clean up politics – financial implications

Table A1: Establish a federal corruption watchdog with real teeth to clean up politics – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Total – departmental expenses	-16.0	-15.0	-6.6	-6.9	-44.6

- (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.



Policy costing

Restore funding cuts to the ABC and SBS and support First Nations Media	
Party:	Australian Greens
Summary of proposal: The proposal has three components related to the media sector.	
<ul style="list-style-type: none">• Component 1: Reverse the following measures as they relate to the Australian Broadcasting Corporation (ABC):<ul style="list-style-type: none">– the 2014-15 Budget measure <i>Australian Broadcasting Corporation and Special Broadcasting Service Corporation — efficiency savings</i>– the 2014-15 Mid-Year Economic and Fiscal Outlook (MYEFO) measure <i>Australian Broadcasting Corporation and Special Broadcasting Service — additional efficiency savings</i>– the indexation pause of operational funding for the ABC in the 2018-19 Budget measure <i>Funding for Australian Film and Television Content and the National Broadcasters</i>.• Component 2: Reduce commercial advertising on the Special Broadcasting Service (SBS) including:<ul style="list-style-type: none">– phase out in-program commercial advertising (sponsored editorial content, live sporting odds, commercial on-screen graphics and references to commercial sponsors) evenly over four years.– reduce the amount of program break commercial advertisements allowed from five minutes to one minute per hour from 1 July 2019– provide an additional 10 per cent loading to the SBS operational funding to account for the additional programming required to replace advertising content from 1 July 2019.• Component 3: Support First Nations Media by:<ul style="list-style-type: none">– increasing dedicated funding for Indigenous media and broadcasting to \$30 million per year, indexed annually to the consumer price index (CPI)– providing resources required to establish a separate broadcaster licence category for Indigenous broadcasting, and make necessary changes to spectrum allocation and codes of practices.	
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 \$753.3 million over the 2019-20 Budget forward estimates period. This reflects a decrease in revenue of \$190.0 million, an increase in departmental expenses of \$481.2 million and an increase in administered expenses of \$82.1 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.

Departmental expenses reflect operational funding for the ABC and SBS, with a small amount of additional funding for transitional support as part of establishing a spectrum broadcaster licence category.

The financial implications for Component 1 are sensitive to the overall ABC funding level projections. The financial implications of Component 2 are highly sensitive to assumptions about the price and demand for advertising on SBS, both for the baseline and the proposal. Component 3 is sensitive to changes in baseline expenditure on Indigenous broadcasting and media, and the scope of reforms to licencing and spectrum changes. The estimated financial implications of all components under the proposal are sensitive to indexation parameters, specifically the wage cost and consumer price indices.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-163.1	-169.6	-198.4	-212.2	-753.3
Underlying cash balance	-163.1	-169.6	-198.4	-212.2	-753.3

(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.

Key assumptions

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

Component 1: ABC funding

- The cancellation of the Australia Network contract is not included in the funding that is being restored.
- The 2018-19 Budget indexation pause applies to Program 1.1: ABC General Operational Activities, as published in the Portfolio Budget Statements for the Department of Communications and the Arts.

Component 2: Advertising on SBS

- SBS would choose to increase the price of program break commercials in response to the reduction in allowable advertising minutes.
 - The extent of this price increase would be influenced by the availability of alternatives to television advertising.

Methodology

Component 1: ABC funding

The two 2014-15 measures were reversed and funding grown by the wage cost indexation parameter.

The increase in funding from removing the indexation pause in the 2018-19 Budget was calculated by growing estimated 2018-19 expenditure on the ABC General Operational Activities program in the 2017-18 Budget by the assumed indexation rate and subtracting this from the 2018-19 Budget baseline for the program. Estimates were rounded to the nearest \$1 million.

Component 2: Advertising on SBS

The baseline advertising revenue for SBS over the 2019-20 Budget forward estimates period were provided by the Department of Communications and the Arts.

In-program revenue was projected to decrease over four years in line with the profile specified in the request.

The amount of program break advertising was reduced from the current allowance of five minutes per hour to one minute per hour from 2019-20. The expected revenue forgone from program break advertising includes both the reduction in quantity and the estimated increase in price for advertising on SBS expected in response to this proposal.

A 10 per cent loading was added to the total change in funding from the government that would replace the estimated reduction in revenue, as specified by the requestor.

Estimates have been rounded to the nearest \$10 million.

Component 3: First Nations Media

The financial implications of increasing funding for First Nations Media to \$30 million per year were estimated by calculating the amount of funding that would be provided under the proposal (which includes indexation by the CPI) and subtracting the amount of funding allocated for Indigenous broadcasting and media in the budget baseline. The cost of establishing a separate broadcaster licence category, and resources for regulatory changes and codes of practice was estimated based on the 2016-17 Budget measure *Broadcasting and content reform package — funding for Australian film and television content*. This cost is entirely departmental in nature. The PBO has not costed the financial implications of actually providing the licence and spectrum. Estimates were rounded to the nearest \$100,000.

Data sources

The Department of Communications and the Arts provided information on the Budget measures and indexation arrangements for the ABC and SBS over the 2019-20 Budget forward estimates period.

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

The Department of the Prime Minister and Cabinet provided information on expenditure on Indigenous broadcasting and media.

Commonwealth of Australia:

- 2014. *2014-15 Budget Paper No. 2*, Canberra: Commonwealth of Australia.
- 2014. *2014-15 Mid-Year Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.
- 2016. *2016-17 Budget Paper No. 2*, Canberra: Commonwealth of Australia.
- 2018. *2018-19 Budget Paper No. 2*, Canberra: Commonwealth of Australia.
- 2019. *2019-20 Budget Paper No. 2*, Canberra: Commonwealth of Australia.

PricewaterhouseCoopers, 2014. *The cost of code interventions on commercial broadcasters*, Australia.

Attachment A – Restore funding cuts to the ABC and SBS and support First Nations Media – financial implications

Table A1: Restore funding cuts to the ABC and SBS and support First Nations Media – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
<i>Component 1: ABC funding</i>	-	-	-	-	-
<i>Component 2: Advertising on SBS</i>	-50.0	-50.0	-40.0	-50.0	-190.0
<i>Component 3: First Nations Media</i>	-	-	-	-	-
Total – revenue	-50.0	-50.0	-40.0	-50.0	-190.0
Expenses					
<i>Administered</i>					
<i>Component 1: ABC funding</i>	-	-	-	-	-
<i>Component 2: Advertising on SBS</i>	-	-	-	-	-
<i>Component 3: First Nations Media</i>	-8.9	-9.6	-31.4	-32.2	-82.1
Total – administered	-8.9	-9.6	-31.4	-32.2	-82.1
<i>Departmental</i>					
<i>Component 1: ABC funding</i>	-94.0	-110.0	-127.0	-130.0	-461.0
<i>Component 2: Advertising on SBS</i>	-10.0	..	..	..	-20.0
<i>Component 3: First Nations Media</i>	-0.2	-	-	-	-0.2
Total – departmental	-104.2	-110.0	-127.0	-130.0	-481.2
Total – expenses	-113.1	-119.6	-158.4	-162.2	-563.3
Total	-163.1	-169.6	-198.4	-212.2	-753.3

(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.



Policy costing

Introduce tax deductibility for media subscriptions, purchases and donations	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>This proposal involves two components relating to tax deductibility of spending on, and donations to, news media organisations in Australia that adhere to appropriate standards of practice for public interest journalism.</p> <p>Component 1: Introduce deductible gift recipient status for organisations that meet the following criteria.</p> <ul style="list-style-type: none">• A minimum of 75 per cent of total spending over the previous 12 months on production and dissemination of news, public-interest journalism or other fact-based editorial content.• A minimum of 75 per cent of total revenue derived from sales, subscriptions, advertising revenue or other individual or philanthropic donations.• A turnover exceeding \$1 million in the previous financial year.• Primary business and dominant purpose is the production and distribution of news and editorial content that is in the public interest. This test would exclude organisations producing content whose purpose is promotional, or for public relations or advocacy. <p>Component 2: Make subscriptions, donations and purchases of news media tax deductible to individuals.</p> <p>Both components would be implemented from 1 July 2019.</p>	

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by \$635 million over the 2019-20 Budget forward estimates period. This impact reflects a decrease in revenue of \$627 million and an increase in departmental expenses of \$8 million for the Australian Taxation Office. The increase in departmental expenses would arise as a result of additional administration and compliance costs for an increased number of large organisations with deductible gift recipient status, and an increased number of individuals claiming tax deductions.

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 subject to significant uncertainty surrounding the number of personal subscribers and donors to eligible organisations, the amounts they would spend under the proposal, and the likely growth in revenue of news media organisations. While current donations to news media organisations are likely to be small, there is a possibility that news media organisations would restructure their business models around donations, rather than subscriptions and purchases, under

Component 1 of the proposal. Subscriptions of news media are likely to be much larger than donations under current policy, but many of these may already be tax deductible, and may not be affected by Component 2 of the proposal.

There may also be overlap between what is characterised as a donation or a subscription, which would result in significant uncertainty around the split between components.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-2	-201	-211	-211	-635
Underlying cash balance	-2	-201	-211	-211	-635

(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.

Donations to eligible news media organisations

- Most major Australian newspapers and online news publishers would meet the eligibility criteria for deductible gift recipient status. This is based on the IBISWorld definition of newspaper publishing.
 - Other news media outlets, such as television and radio, are unlikely to meet the spending criterion.
- Under Component 1 of the proposal, there would be one donor for every ten individual subscribers. The average donation would be equal to the average subscription.
- 50 per cent of all donations would have been received by other organisations with deductible gift recipient status in the absence of this proposal.
- The average marginal tax rate on donations is 35 per cent.

Subscriptions and purchases

- 30 per cent of revenue for newspaper publishers comes from subscriptions.
 - This is broadly consistent with annual reports from major news organisations.
 - Other news media outlets, such as television and radio, primarily receive revenue from advertising. Subscriptions to such outlets are assumed to have an immaterial impact on the revenue impact under this proposal.
- 50 per cent of all subscriptions would become tax deductible under the proposal. The remainder are corporate or individual subscriptions for which a tax deduction has already been claimed (for instance, because it is a work-related expense).
- Total newspaper subscriptions from individuals would increase by 10 per cent as a result of the proposal.

- There would be no growth in the number of subscribers over time. Revenue from subscriptions would grow in line with the consumer price index.
 - This reflects that total revenue from newspaper publishing has declined over the last five years.
- 10 per cent of revenue for newspaper publishers comes from purchases by individuals, and 20 per cent of these would be claimed as a tax deduction under the proposal.
 - The average available deduction for purchases is likely to be small. As such, the majority of purchases are unlikely to be claimed as a deduction.
- The average marginal tax rate on subscriptions and purchases is 35 per cent.

Methodology

- Total revenue relating to newspaper publishing in Australia was informed by the IBISWorld Industry report, Newspaper Publishing.
- The assumed proportion of revenue relating to subscriptions and purchases was informed by annual reports from news media organisations.
- The financial implications of each component have been estimated jointly. As such, the financial implications of implementing components in isolation would differ. In addition, both components extend deductibility for donations. This impact is reported under Component 1.
- Administrative costs have been informed by the costs of similar programs.
- The modelling has taken the timing of tax collections into account.
- Estimates of the revenue impact of Component 1 have been rounded to the nearest \$1 million. Estimates of the revenue impact of Component 2 have been rounded to the nearest \$10 million. Departmental expenses have been rounded to the nearest \$1 million.

Data sources

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Attachment A – Introduce tax deductibility for media subscriptions, purchases and donations – financial implications

Table A1: Introduce tax deductibility for media subscriptions, purchases and donations – Fiscal and underlying cash balance (\$m)^{(a)(b)(c)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
<i>Component 1: Extend deductible gift recipient status</i>	-	-9	-9	-9	-27
<i>Component 2: Tax deductibility of purchases and subscriptions</i>	-	-190	-200	-200	-600
Total – revenue	-	-199	-209	-209	-627
Expenses					
<i>Component 1: Extend deductible gift recipient status</i>	-1	-1	-1	-1	-4
<i>Component 2: Tax deductibility of purchases and subscriptions</i>	-1	-1	-1	-1	-4
Total – expenses	-2	-2	-2	-2	-8
Total	-2	-201	-211	-211	-635

- (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) The financial implications of each component have been estimated jointly. As such, the financial implications of implementing components in isolation would differ. In addition, both components extend deductibility for donations. This impact is reported under Component 1.
- Indicates nil.



Policy costing

Establish RenewAustralia Authority to transition towards 100 per cent renewables	
Party:	Australian Greens
Summary of proposal:	
<ul style="list-style-type: none">• Component 1 – Renew Australia Corporation<ul style="list-style-type: none">– Element 1: Establish the Renew Australia Corporation (the Corporation) from 1 July 2019. The Corporation would be funded to deliver Components 3, 4, 5 and 6 of this proposal.– Element 2: Provide the Corporation \$40 million in 2019-20, indexed by the consumer price index (CPI) to 2025-26 and then held constant at that level on an ongoing basis, to manage the transition to a clean energy system.• Component 2 – Renewable energy zones<ul style="list-style-type: none">– Element 1: Provide \$40 million spread evenly from 2019-20 to 2021-22 to the Australian Energy Market Operator to support the implementation of a new regulatory process for establishing renewable energy zones.– Element 2: Provide a \$6,000 million equity injection from the Commonwealth Government to a public non-financial corporation outside of the general government sector for a Grid Transformation Fund. The equity would be used to support transmission connections to renewable energy zones and be spread evenly over ten years from 2019-20 to 2028-29. Assets built through the Grid Transformation Fund would generate sufficient revenue to meet its operating and capital financing costs and, in the longer term, deliver a rate of return of at least the rate of inflation on the initial equity injection.• Component 3 – Community renewables<ul style="list-style-type: none">– Element 1: Provide \$25 million over two years from 2019-20 to 2020-21 for regional and community hubs across the country. The departmental funding provided under Component 1 to administer this element would be in addition to this capped amount.– Element 2: Provide \$100 million over four years from 2019-20 to 2022-23 for a ‘solar gardens’ scheme to assist renters and apartment dwellers to invest in solar panels in locations other than their dwelling. The departmental funding provided under Component 1 to administer this element would be in addition to this capped amount.• Component 4 – Solar Households Scheme<ul style="list-style-type: none">– Provide \$1,200 million over five years from 2019-20 to 2023-24 for a Solar Households Scheme. The departmental funding provided under Component 1 to administer this element would be in addition to this capped amount.	

- Component 5 – Clean technology
 - Element 1: Re-establish the Clean Technology Innovation Program, with \$200 million spread over four years from 2019-20 to 2022-23.

This capped amount includes departmental funding provided under Component 1.
 - Element 2: Provide \$200 million over four years from 2019-20 to 2022-23 to establish a Clean Energy Small Business Fund. This capped amount includes departmental funding provided under Component 1.

Small-to-medium-sized enterprises would be eligible to apply for up to \$10,000 to cover the cost of investment in assets or capital works that reduce fossil fuel use or improve energy efficiency, or to switch from gas to clean energy. This fund will operate in conjunction with the instant asset tax write-off, as businesses who receive the instant asset write-off will also be able to receive money from the Clean Energy Small Business Fund.
 - Element 3: Provide \$50 million spread evenly over two years from 2019-20 to 2020-21 for a community education campaign targeted at households, to encourage use of split-system air-conditioners instead of gas.

This capped amount includes departmental funding provided under Component 1.
- Component 6 – Household Solar Storage Scheme
 - Element 1: Storage grants for households

Provide \$550 million each year from 2019-20 to 2022-23, with \$137.5 million made available for storage grant funding each quarter.

The departmental funding provided under Component 1 to administer this element would be in addition to this capped amount.

The maximum grant per household would taper down annually, from up to \$7,000 per household in 2019-20, to \$5,950 per household in 2020-21, \$5,355 per household in 2021-22, and \$4,820 per household in 2022-23, for non-low-income households.

Each year, \$55 million would be set aside for low-income households, who would be eligible to receive double the grant specified above. The income threshold for low-income households would be determined prior to the commencement of the program.

The Household Solar Storage Scheme would top up any state-based grants to households.

To be eligible for the Scheme, households would need to use qualified system providers installing battery systems that meet a set of minimum technical requirements.

The Scheme would commence on 1 July 2019 and conclude on 30 June 2023.
 - Element 2: Fund a review to be conducted half way through the operation of the Household Solar Storage Scheme to assess the size of the grant, taking into account trends in battery prices in each state, the resulting payback periods and the performance of the Scheme.
- Component 7 – Grid-scale storage
 - Provide \$2,200 million in funding over four years from 1 January 2020 to establish a Large-Scale Energy Storage Scheme to build storage and infrastructure at the grid level. The Scheme would be managed by the Australian Energy Market Operator and the Clean Energy Regulator.

Costing overview

The proposal would be expected to decrease the fiscal balance by \$6,680 million, the underlying cash balance by \$6,670 million and the headline cash balance by \$9,070 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis this reflects an increase in administered expenses of \$5,621 million, departmental expenses of \$729 million and public debt interest expenses of \$330 million.

Departmental expenses represent the cost of delivering the components in this proposal. This includes managing the transition to a clean energy system, implementing renewable energy zones, managing and delivering regional and community grants for solar and clean technology projects, and administering the Clean Energy Small Business Fund.

Consistent with Parliamentary Budget Office (PBO) Guidance 02/2015, public debt interest expense impacts have been included in this costing because the equity injection for the Grid Transformation Fund under this proposal involves transactions of financial assets.

Differences in the fiscal and underlying cash balances reflect the timing of when public debt interest impacts accrue and are expected to be paid.

As specified in the commitment, funding under the proposal for the Grid Transformation Fund would be provided as equity injections to a public non-financial corporation. This administered funding would have a direct impact on the headline cash balance, with the only impact on the fiscal and underlying cash balances being increased public debt interest expenses. There are no direct fiscal and underlying cash balance impacts as these investments would be treated as the Commonwealth Government exchanging one financial asset (cash) for another (equity in the public non-financial corporation).

The headline cash balance impact of the proposal shows the full amount of the equity injection into the public non-financial corporation, as well as the impact of the proposal on the Commonwealth Government borrowing requirement. The headline cash balance impact would be equivalent to the change in the net debt position.

Net revenue received from the transmission assets constructed through the Grid Transformation Fund does not appear in the fiscal balance nor the underlying cash balance as the public non-financial corporation is outside the general government sector. Commonwealth Government revenue from assets constructed through the Grid Transformation Fund would only arise if the public non-financial corporation were to pay a dividend.

The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period. The financial impact from 2019-20 to 2029-30 is provided at [Attachment A](#).

The financial implications of most parts of this proposal are subject to little uncertainty: the Australian Energy Market Operator, solar grants, clean technology projects and small business funding are capped amounts to be provided over specified periods. The associated departmental expenses are based on programs of a similar size and for a similar purpose. The PBO has not made an assessment on whether the specified funding would be sufficient to achieve the stated policy objectives.

There is, however, considerable uncertainty associated with the establishment of the Grid Transformation Fund. Although the equity injection is capped, the revenue required to offset operating and capital financing costs is sensitive to developments in the energy market. These developments include the number, nature and timing of renewable electricity generators connecting to the new transmission infrastructure, and to transmission prices, which can vary significantly over time and could vary on account of this proposal.

The financial implications of the storage grants and program review in Component 6 are sensitive to the assumed take-up rate for the grants, the threshold for low-income households and the scope of the program review. The price of eligible solar storage technologies and the price of alternative electricity provision, which may be affected by electricity sector, climate and other policies, may affect take-up of these grants and, therefore, the cost of this proposal.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-1,449	-1,731	-1,736	-1,767	-6,680
Underlying cash balance	-1,448	-1,728	-1,733	-1,763	-6,670
Headline cash balance	-2,048	-2,328	-2,333	-2,363	-9,070

(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.

- Any legislative changes required to implement the proposal would be passed ahead of the start date for the respective part of the proposal.

Component 2: Renewable energy zones

- Renewable energy generators would connect to the new infrastructure in time for new transmission assets under the Grid Transformation Fund to earn revenue from 2020-21.
- Assets generated through the Grid Transformation Fund would be managed by a public non-financial corporation outside of the general government sector.
- Assets would be able to generate sufficient revenue to fund operating costs and capital financing costs for the Grid Transformation Fund, and this level of revenue would be permissible under regulatory arrangements related to network transmission charges. To the extent that this results in an operating surplus for the public non-financial corporation, it is assumed the corporation would retain that surplus but not pay a dividend to the Commonwealth Government over the costing horizon. At some point beyond the costing horizon, it is assumed that the corporation would operate in a manner that ensures it provides a rate of return to the Commonwealth Government.
- The value of assets generating revenue under the Grid Transformation Fund would be in line with historical data on the transmission network.

Component 6: Household Solar Storage Scheme

- The income thresholds for low-income households would be set at a level such that all grants for both household categories would be fully taken up.
 - While the financial attractiveness of solar and battery storage depends on alternative electricity and other climate policies, the financial incentives under this proposal would be expected to make them attractive to a sufficient number of families.

- Grants would be paid at the time of installation of the battery storage system.
- The review of the grant program would include preparatory and planning work from the time of program commencement to the scheduled time of the review, and post-review work to implement any changes to the program.

Component 7: Grid-scale storage

- Funding for grid-level storage would be provided as grant funding and the Commonwealth Government would not own or operate the assets.

Methodology

Component 1: Renew Australia Corporation

Expenses of the Corporation are the sum of departmental expenses for Components 3, 4, 5 and 6 estimated as described below, and specified funding of \$40 million in 2019-20, grown by the CPI to 2025-26 then held constant. Estimated total expenses include initial costs for establishing the Corporation. Departmental funding for the Australian Energy Market Operator and Clean Energy Regulator is provided separately.

Component 2: Renewable energy zones

The financial implications of establishing renewable energy zones were derived by evenly spreading the specified \$40 million in funding over three years from 2019-20. The financial implications of the Grid Transformation Fund were estimated based on the amount of electricity that would be transmitted through the infrastructure, funded from a \$6,000 million equity injection specified by the requestor. The equity would be provided in equal tranches over ten years to a public non-financial corporation that would manage the assets. The proposal has a public debt interest impact as the Commonwealth Government would issue debt to make the equity injection to establish the Grid Transmission Fund. Departmental expenses were based on the size of investment funded through the equity injection and the amount specified for the Australian Energy Market Operator to establish new regulatory processes for renewable energy zones.

Components 3, 4, 5, 6 and 7: Community renewables, Solar Households Scheme, Clean technology, Household Solar Storage Scheme, Grid-scale storage

The financial implications of these components were based on the specified amount and period over which funding would be provided. Departmental expenses were estimated based on similar programs administered by the Department of the Environment and Energy.

All components

Figures are rounded to the nearest \$1 million.

Data sources

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

Australian Energy Regulator, 2018. *Transmission Network Service Provider Network Charges*, Canberra: Australian Energy Regulator.

Department of Environment and Energy:

— 2018. *2018-19 Portfolio Additional Estimates Statements*, Commonwealth of Australia.

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Department of Jobs and Small Business, 2018. *2018-19 Portfolio Budget Statements*, Commonwealth of Australia.

Jacobs, 2017. *Final Report: Modelling illustrative electricity sector emissions reduction policies*, Climate Change Authority.

Attachment A – Establish RenewAustralia Authority to transition towards 100 per cent renewables – financial implications

Table A1: Establish RenewAustralia Authority to transition towards 100 per cent renewables – 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													
<i>Administered</i>													
<i>Component 1: Renew Australia Corporation</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 2: Renewable energy zones</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 3: Community renewables</i>	-38	-38	-25	-25	-	-	-	-	-	-	-	-125	-125
<i>Component 4: Solar Households Scheme</i>	-240	-240	-240	-240	-240	-	-	-	-	-	-	-960	-1,200
<i>Component 5: Clean technology</i>	-101	-122	-96	-92	-	-	-	-	-	-	-	-411	-411
<i>Component 6: Household Solar Storage Scheme</i>	-550	-550	-550	-550	-	-	-	-	-	-	-	-2,200	-2,200
<i>Component 7: Grid-scale storage</i>	-275	-550	-550	-550	-275	-	-	-	-	-	-	-1,925	-2,200
Total – administered	-1,204	-1,500	-1,461	-1,457	-515	-	-	-	-	-	-	-5,621	-6,136
<i>Departmental</i>													
<i>Component 1: Renew Australia Corporation</i>	-199	-130	-130	-134	-95	-60	-61	-61	-61	-61	-46	-593	-1,038
<i>Component 2: Renewable energy zones^(c)</i>	-13	-13	-13	-	-	-	-	-	-	-	-	-40	-40
<i>Component 3: Community renewables</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 4: Solar Households Scheme</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 5: Clean technology</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 6: Household Solar Storage Scheme</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 7: Grid-scale storage^(d)</i>	-14	-28	-28	-28	-28	-	-	-	-	-	-	-96	-124
Total – departmental	-226	-171	-171	-162	-123	-60	-61	-61	-61	-61	-46	-729	-1,202
Total – expenses	-1,430	-1,671	-1,632	-1,619	-638	-60	-61	-61	-61	-61	-46	-6,350	-7,338
Total (excluding PDI)	-1,430	-1,671	-1,632	-1,619	-638	-60	-61	-61	-61	-61	-46	-6,350	-7,338
PDI impacts	-19	-60	-104	-148	-189	-222	-253	-289	-329	-372	-460	-330	-2,444
Total (including PDI)	-1,449	-1,731	-1,736	-1,767	-827	-282	-314	-350	-390	-433	-506	-6,680	-9,782

(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) Funding provided to the Australian Energy Market Operator.

(d) Funding provided to the Australian Energy Market Operator and the Clean Energy Regulator.

- Indicates nil.

Table A2: Establish RenewAustralia Authority to transition towards 100 per cent renewables – 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													
<i>Administered</i>													
Component 1: Renew Australia Corporation	-	-	-	-	-	-	-	-	-	-	-	-	-
Component 2: Renewable energy zones	-	-	-	-	-	-	-	-	-	-	-	-	-
Component 3: Community renewables	-38	-38	-25	-25	-	-	-	-	-	-	-	-125	-125
Component 4: Solar Households Scheme	-240	-240	-240	-240	-240	-	-	-	-	-	-	-960	-1,200
Component 5: Clean technology	-101	-122	-96	-92	-	-	-	-	-	-	-	-411	-411
Component 6: Household Solar Storage Scheme	-550	-550	-550	-550	-	-	-	-	-	-	-	-2,200	-2,200
Component 7: Grid-scale storage	-275	-550	-550	-550	-275	-	-	-	-	-	-	-1,925	-2,200
Total – administered	-1,204	-1,500	-1,461	-1,457	-515	-	-	-	-	-	-	-5,621	-6,136
<i>Departmental</i>													
Component 1: Renew Australia Corporation	-199	-130	-130	-134	-95	-60	-61	-61	-61	-61	-46	-593	-1,038
Component 2: Renewable energy zones ^(c)	-13	-13	-13	-	-	-	-	-	-	-	-	-40	-40
Component 3: Community renewables	-	-	-	-	-	-	-	-	-	-	-	-	-
Component 4: Solar Households Scheme	-	-	-	-	-	-	-	-	-	-	-	-	-
Component 5: Clean technology	-	-	-	-	-	-	-	-	-	-	-	-	-
Component 6: Household Solar Storage Scheme	-	-	-	-	-	-	-	-	-	-	-	-	-
Component 7: Grid-scale storage ^(d)	-14	-28	-28	-28	-28	-	-	-	-	-	-	-96	-124
Total – departmental	-226	-171	-171	-162	-123	-60	-61	-61	-61	-61	-46	-729	-1,202
Total – payments	-1,430	-1,671	-1,632	-1,619	-638	-60	-61	-61	-61	-61	-46	-6,350	-7,338
Total (excluding PDI)	-1,430	-1,671	-1,632	-1,619	-638	-60	-61	-61	-61	-61	-46	-6,350	-7,338
PDI impacts	-18	-57	-101	-144	-186	-220	-251	-286	-326	-369	-453	-320	-2,412
Total (including PDI)	-1,448	-1,728	-1,733	-1,763	-824	-280	-312	-347	-387	-430	-499	-6,670	-9,750

(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) Funding provided to the Australian Energy Market Operator.

(d) Funding provided to the Australian Energy Market Operator and the Clean Energy Regulator.

- Indicates nil.

**Table A3: Establish RenewAustralia Authority to transition towards 100 per cent renewables –
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
Payments													
<i>Administered</i>													
<i>Component 1: Renew Australia Corporation</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 2: Renewable energy zones</i>	-600	-600	-600	-600	-600	-600	-600	-600	-600	-600	-	-2,400	-6,000
<i>Component 3: Community renewables</i>	-38	-38	-25	-25	-	-	-	-	-	-	-	-125	-125
<i>Component 4: Solar Households Scheme</i>	-240	-240	-240	-240	-240	-	-	-	-	-	-	-960	-1,200
<i>Component 5: Clean technology</i>	-101	-122	-96	-92	-	-	-	-	-	-	-	-411	-411
<i>Component 6: Household Solar Storage Scheme</i>	-550	-550	-550	-550	-	-	-	-	-	-	-	-2,200	-2,200
<i>Component 7: Grid-scale storage</i>	-275	-550	-550	-550	-275	-	-	-	-	-	-	-1,925	-2,200
Total – administered	-1,804	-2,100	-2,061	-2,057	-1,115	-600	-600	-600	-600	-600	-	-8,021	-12,136
<i>Departmental</i>													
<i>Component 1: Renew Australia Corporation</i>	-199	-130	-130	-134	-95	-60	-61	-61	-61	-61	-46	-593	-1,038
<i>Component 2: Renewable energy zones^(c)</i>	-13	-13	-13	-	-	-	-	-	-	-	-	-40	-40
<i>Component 3: Community renewables</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 4: Solar Households Scheme</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 5: Clean technology</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 6: Household Solar Storage Scheme</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 7: Grid-scale storage^(d)</i>	-14	-28	-28	-28	-28	-	-	-	-	-	-	-96	-124
Total – departmental	-226	-171	-171	-162	-123	-60	-61	-61	-61	-61	-46	-729	-1,202
Total – payments	-2,030	-2,271	-2,232	-2,219	-1,238	-660	-661	-661	-661	-661	-46	-8,750	-13,338
Total (excluding PDI)	-2,030	-2,271	-2,232	-2,219	-1,238	-660	-661	-661	-661	-661	-46	-8,750	-13,338
PDI impacts	-18	-57	-101	-144	-186	-220	-251	-286	-326	-369	-453	-320	-2,412
Total (including PDI)	-2,048	-2,328	-2,333	-2,363	-1,424	-880	-912	-947	-987	-1,030	-499	-9,070	-15,750

(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) Funding provided to the Australian Energy Market Operator.

(d) Funding provided to the Australian Energy Market Operator and the Clean Energy Regulator.

- Indicates nil.



Policy costing

Phase out thermal coal exports by 2030

Party: Australian Greens

Summary of proposal:

This proposal would introduce permits on exporting thermal coal, with a yearly cap of total permits available for purchase. Coal exporters would pay for permits to export thermal coal each year. The yearly export cap amount and the amount charged for the thermal coal export permits are as follows.

Financial year	Thermal coal export cap ('000 tonnes per year)	Price of permits (\$ per tonne)
2019-20	85,000	\$1.00
2020-21	161,750	\$1.50
2021-22	145,250	\$2.00
2022-23	128,750	\$2.50
2023-24	112,250	\$3.00
2024-25	95,750	\$3.50
2025-26	79,250	\$4.00
2026-27	62,750	\$4.50
2027-28	46,250	\$5.00
2028-29	29,750	\$5.50
2029-30	10,750	\$6.00

The amount spent on permits would be deductible for company tax purposes.

Permits can only be purchased by coal exporters, and permits would initially be allocated based on the previous year's production.

The policy has a start date of 1 January 2020 and would result in a complete ban of thermal coal exports by 1 January 2030.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$177 million over the 2019-20 Budget forward estimates period. This impact reflects a decrease in revenue of \$170 million and an increase in departmental expenses of \$7 million.

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](#). The proposal would be expected to have a negative fiscal

impact from 2020-21 as a result of a timing difference between permit revenue and income tax collections. The effect of the cap on exports has a larger negative effect on profitability and therefore overall company tax collections over time, which is only partially offset by the permit revenue.

Departmental expenses associated with the proposal would be expected to be \$7 million over the 2019-20 Budget forward estimates period. These costs would be associated with administering the export limits.

The revenue estimates for this proposal include:

- revenue from companies buying the export permits
- the flow-on effects on company tax, both through deductibility of permits and reduced profitability of coal exporters
- the flow-on effects of the changes to other income tax due to lower dividend payments from affected companies.

There are a range of impacts that have not been captured in this costing because their magnitude and timing are highly uncertain. For example, this proposal could result in broader macroeconomic impacts, including on employment, trade income, and the exchange rate, which would be expected to have flow-on effects on broader Government revenue and payments. Secondly, while domestic thermal coal prices would be expected to reduce under this proposal, with a negative impact on the profitability of coal miners, they would also be expected to have an offsetting positive impact on the profitability of downstream users of thermal coal. Thirdly, it is possible that a secondary market in coal export permits may develop under this proposal, which could give rise to some tax revenue impacts associated with trading gains or losses. None of these impacts have been included in this costing.

Note that the Parliamentary Budget Office (PBO) has not assessed the effects on export volumes and prices for thermal coal of the recent announcement from Glencore¹ that they will be limiting coal production in Australia.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	83	-99	-51	-110	-177
Underlying cash balance	83	-99	-51	-110	-177

(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 relation to this costing.

General

- There will be no material impact on global prices as a result of the cap on coal exports.

¹ Stevens, Matthew, 2019. *Glencore bows to climate lobby and caps coal production*, Australian Financial Review, 20 February 2019.

- All affected companies would have total incomes above \$50 million and hence would be subject to the 30 per cent company tax rate.
- All affected companies would be taxable.

Thermal coal export permits

- All permits up to the export cap would be purchased each year.

Company Tax

- In the absence of the proposal, total thermal coal export tonnage would grow by 0.5 per cent each year from 2022-23.
 - Coal export amounts over the 2019-20 Budget forward estimates period are as projected in the Budget baseline.
- Thermal coal export prices would be the amount projected over the 2019-20 Budget forward estimates period in the 2019-20 Budget. Beyond the 2019-20 Budget forward estimates period, prices would be maintained by indexing them by the consumer price index.
- After deductions (including the new permit deduction) and offsets, the tax payable by affected companies would be approximately 4 per cent of their total income.
 - This is based on the ratio of tax payable to total income for mining companies in the *2016-17 Taxation Statistics*.

Other income taxes

- Approximately 30 per cent of shareholders of affected companies would be domestic shareholders able to claim franking credits.
- Approximately 70 per cent of the fall in profits as a result of this proposal would be expected to flow on to domestic shareholders via changes to dividend payments.
 - Domestic shareholders would have an average tax rate of 32 per cent.

Methodology

Thermal coal export permits

The thermal coal export permit revenue was calculated by multiplying the expected purchase of coal export permits by the specified price of permits. This value was then used to calculate total company tax deductions at the company tax rate.

Company tax

The reduction in corporate tax revenue was calculated by applying the average tax-to-income ratio of mining companies to the reduction in corporate income (including for the permit deduction) that would occur due to lower coal exports.

Other income taxes

As the proposal would decrease the profitability of affected companies, it has been assumed that this will lead to lower dividend payments. To calculate this, dividend payments by coal companies were reduced in line with company profits and the reduction in tax paid by their Australian shareholders

was estimated taking account of the imputation system. This amount also took into account the effect of lower imputation credits for shareholders.

Departmental costs were calculated based on administrative and compliance costs of similar proposals.

Permit revenue and departmental expense estimates have been rounded to the nearest \$1 million. Revenue estimates for company tax and other income tax have been rounded to the nearest \$10 million.

Data sources

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

Australian Taxation Office, 2019. *Taxation Statistics 2016-17*, Canberra: Australian Taxation Office.

Stevens, Matthew, 2019. *Glencore bows to climate lobby and caps coal production*, Australian Financial Review, 20 February 2019.

Attachment A – Phase out thermal coal exports by 2030 – financial implications

Table A1: Phase out thermal coal exports by 2030 – 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													
<i>Thermal coal permits</i>	85	243	291	322	337	335	317	282	231	164	65	940	2,671
<i>Income Tax^(c)</i>	-	-340	-340	-430	-520	-610	-700	-800	-890	-980	-1,080	-1,110	-6,680
Total – revenue	85	-97	-49	-108	-183	-275	-383	-518	-659	-816	-1,015	-170	-4,009
Expenses													
Total – departmental	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-7	-19
Total	83	-99	-51	-110	-185	-277	-385	-520	-661	-818	-1,017	-177	-4,028

- (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) Income Tax refers to both individual income tax and company income tax.
- Indicates nil.



Policy costing

Protect coal workers and communities through the transition to a zero-carbon future	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>The proposal would provide \$1,000 million over ten years from 2019-20 to 2028-29 to support workers and communities in coal-dependent areas as power stations are closed. The proposed schedule for power station closures is at Attachment A. Funding would be allocated in proportion to the generation capacity of power stations scheduled for closure.</p> <p>Additional departmental funding would be provided to administer this proposal.</p>	

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by \$325 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis this reflects an increase in administered expenses of \$276 million and departmental expenses of \$49 million.

Departmental expenses represent the cost of delivering support to workers and communities in coal-dependent areas.

A breakdown of the financial implications of this proposal from 2019-20 to 2029-30 is provided at [Attachment B](#). Beyond the 2019-20 Budget forward estimates period, the proposal would be expected to have an impact from 2023-24 to 2028-29. There would be no financial impact from 2029-30 as funding is scheduled to cease from this year.

The financial implications of most parts of this proposal are subject to little uncertainty as administered funding is capped at the amount to be provided over a specified period. The associated departmental expenses are based on programs of a similar size and for a similar purpose. The Parliamentary Budget Office (PBO) has not made an assessment on whether the specified funding would be sufficient to achieve the stated policy objectives of the proposal.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-19	-52	-119	-136	-325
Underlying cash balance	-19	-52	-119	-136	-325

(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.

- Assistance to coal-dependent areas would be provided over five years, commencing two years prior to and ceasing two years after the scheduled closure of a generator, as per [Attachment A](#).
 - Muja power station is scheduled for ‘immediate’ closure so would attract funding for five years from 2019-20.
 - Site closures that occur after 2028-29 may only receive a portion of pre-closure funding. No transitional funding is provided after 2028-29, so some sites will receive less than five years of transitional assistance.

Methodology

The financial implications of assistance to coal-dependent areas were based on the specified \$1,000 million and distributed over ten years, based on the schedule of closures and funding per site as specified under the proposal. Departmental expenses were based on the ratio of administered to departmental expenses in measures relating to job transition and retraining administered by the Department of Jobs and Small Business.

Figures are rounded to the nearest \$1 million.

Data sources

Department of the Environment and Energy:

- 2018. *2018-19 Portfolio Additional Estimates Statements*, Commonwealth of Australia.
- 2018. *2018-19 Portfolio Budget Statements*, Commonwealth of Australia.
- 2016. *2016-17 Portfolio Budget Statements*, Commonwealth of Australia.

Department of Jobs and Small Business, 2018. *2018-19 Portfolio Budget Statements*, Commonwealth of Australia.

Jacobs, 2017. *Final Report: Modelling illustrative electricity sector emissions reduction policies*, Climate Change Authority.

Attachment A – Protect coal workers and communities through the transition to a zero-carbon future – Schedule of site closures

The proposed schedule for power station decommissioning and shutdowns provided by the requestor is as follows.

New South Wales

- Bayswater Power Station: 2024.
- Eraring Power Station: 2023.
- Vales Point Power Station: 2026.
- Mt Piper Power Station: 2030.
- Two small waste coal mine gas power stations: 2025.

Victoria

- Loy Yang A Power Station: 2024.
- Loy Yang B Power Station: 2030.

Queensland

- Tarong Power Station: 2026.
- Stanwell Power Station: 2030.
- Callide B Power Station: 2028.
- Kogan Creek Power Station: 2027.
- Callide C Power Station: 2028.
- Millmerran Power Station: 2029.
- Braemar I and II and Moranbah coal mine gas power stations: 2025.

Western Australia

- Muja Power Station: immediate.
- Collie Power Station: 2030.
- Bluewaters I and II: 2035.

Attachment B – Protect coal workers and communities through the transition to a zero-carbon future – financial implications

Table B1: Protect coal workers and communities through the transition to a zero-carbon future – 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													
<i>Administered</i>	-10	-45	-103	-118	-150	-149	-134	-85	-120	-87	-	-276	-1,000
<i>Departmental</i>	-9	-7	-16	-18	-23	-22	-20	-13	-18	-13	-	-49	-158
Total – expenses	-19	-52	-119	-136	-173	-171	-154	-98	-138	-100	-	-325	-1,158

- (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.



Policy costing

End public subsidies for the fossil fuel industry	
Party:	Australian Greens
Summary of proposal: This proposal has four components. <ul style="list-style-type: none">• Component 1 – Abolish the fuel tax credit for all industries except agricultural businesses.• Component 2 – Abolish accelerated asset depreciation for aircraft, the oil and gas industry, and motor vehicles (except for those used for agricultural purposes).• Component 3 – Abolish the immediate deduction for exploration and prospecting expenses for the mining industry, including the mining Exploration Development Incentive.• Component 4 – Abolish the Australia-China Science and Research Fund. The proposal would have effect from 1 July 2019.	

Costing overview

This proposal would be expected to increase the fiscal balance by \$29,011 million and the underlying cash balance by \$27,911 million over the 2019-20 Budget forward estimates period. The fiscal balance impact reflects an increase in revenue of \$500 million and a decrease in expenses of \$28,511 million.

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](#).

Departmental expenses would be expected to decrease by \$1.6 million over the 2019-20 Budget forward estimates period as a result of abolishing the Australia-China Science Research Fund. Departmental expenses relating to the other components of the proposal would not be expected to be significant.

The fiscal and underlying cash balance impacts are different due to a timing difference between when fuel tax credit liabilities are recognised and when payments are made.

This costing is subject to uncertainty around a number of assumptions and data relating to different components of the proposal.

- Growth in the fuel tax credit and accelerated asset depreciation components, which together make up the largest proportion of the financial implications of this proposal, have been based on historical growth rates. Variations in fossil fuel prices, technological developments, and other developments that change fuel usage, could have a significant impact on future growth rates.

- Growth in the exploration and prospecting component, which makes up a small proportion of the proposal's total impact, is more uncertain and likely to vary from year to year, reflecting the nature of activity in these industries.

Removing eligibility for claiming tax credits on business fuel expenses and removing accelerated asset depreciation has the potential to have a negative impact on the economy, particularly for the mining and transport industries, as it could increase costs across the production chain, affect investment decisions, and prices paid by consumers. The Parliamentary Budget Office (PBO) has not assessed these potential impacts as their timing and magnitude are too uncertain.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	6,802.2	6,903.2	7,403.0	7,902.6	29,011.0
Underlying cash balance	5,902.2	6,803.2	7,303.0	7,802.6	27,911.0

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

Component 1 – Abolition of fuel tax credits

- Businesses would not change fuel usage as a result of this proposal as demand for fuel is inelastic and so it would be difficult for affected businesses to reduce consumption significantly, and affected businesses would be able to deduct fuel excise expenses for corporate tax purposes after the removal of fuel tax credits.
- On an underlying cash balance basis, fuel tax credits are recognised when businesses receive them from the Australian Taxation Office (ATO). It is assumed that the majority of fuel tax credits are paid in the year of fuel purchases, with the remainder paid the following year. This reflects the fact that fuel tax credit payments are made by the ATO in arrears, and accounts for the fact that businesses generally submit their fuel tax credit claims along with their goods and services tax (GST) returns, either annually, quarterly, or monthly.
- Agriculture represents approximately 12 per cent of fuel tax credit claims, based on historical data.

Component 2 – Abolition of accelerated asset depreciation

- There would be no change to the overall level or timing of investments in assets as a result of this proposal. Investment decisions are based on a number of factors and affected businesses would still need to invest in these assets in the absence of accelerated depreciation.
- Where there are varying statutory effective life caps for the same category of asset, an average is taken to arrive at the statutory effective life.
- Assets are purchased evenly throughout the year.

- Taxpayers use deductions according to the following profile:
 - 75 per cent have a tax liability in the year they purchase the depreciable asset
 - 15 per cent have no tax liability in the year of purchase but have a tax liability in the year after they purchase the depreciable asset
 - 5 per cent have no tax liability in the year of purchase or the first year after purchase, but have a tax liability two years after they purchase the depreciable asset.
- 10 per cent of vehicles are used for agricultural purposes.

Component 3 – Abolition of the immediate deduction for exploration and prospecting

- Only taxable entities use deductions associated with exploration and prospecting.
- Exploration and prospecting assets have a 15 year effective life under the proposal.

Component 4 – Abolition of the Australia-China Science and Research Fund

- Contracts already signed by the Department of Industry, Innovation and Science would be honoured.
- The percentage of contracts that have been committed as at the start date would be the same as the historical average.

Methodology

Component 1 – Abolition of fuel tax credits

The 2019-20 Budget forward estimates for fuel tax credit expenses were projected over the period to 2029-30 with the PBO's estimated growth rates for fuel tax credits. The estimates were then adjusted to remove expected claims from agricultural entities. The costing includes a company tax impact as fuel excise would be deductible against company tax without fuel tax credits.

Components 2 and 3 – Abolition of accelerated asset depreciation, and the immediate deduction for exploration and prospecting

The impact of these components was estimated by calculating the impact of total deductions expected under the proposal less the impact of total deductions currently expected.

Component 4 – Abolition of the Australia-China Science and Research Fund

The impact of this component was estimated by reversing the 2019-20 Budget forward estimates for the Australia-China Science and Research Fund, less the estimated amount of funds that have been contractually committed. The amount of committed funds, and departmental savings, were based on data provided by the Department of Industry, Innovation and Science.

General

All estimates have been rounded to the nearest \$100 million, except for the impacts resulting from abolishing the Australia-China Science and Research Fund, which have been rounded to the nearest \$0.1 million.

Data sources

The ATO provided fuel excise data and fuel tax credit estimates as at the 2019-20 Budget. This is unchanged as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Industry, Innovation and Science provided data relating to the Australia-China Science and Research Fund.

The Treasury provided the 2018 Tax Benchmarks and Variations Statement models on business expenditure from depreciating assets, and deductions related to exploration and prospecting.

Australian Taxation Office, 2019. *Taxation Statistics 2016-17*, Canberra: Commonwealth of Australia.

Attachment A – End public subsidies for the fossil fuel industry – financial implications

Table A1: End public subsidies for the fossil fuel industry – 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													
<i>Component 1 - Abolish fuel tax credits - company tax deduction</i>	-	-1,600.0	-2,000.0	-2,100.0	-2,200.0	-2,400.0	-2,500.0	-2,700.0	-2,800.0	-3,000.0	-3,200.0	-5,700.0	-24,400.0
<i>Component 2 - Abolish accelerated depreciation</i>	100.0	500.0	1,000.0	1,400.0	1,700.0	2,000.0	2,200.0	2,400.0	2,500.0	2,600.0	2,600.0	3,000.0	19,000.0
<i>Component 3 - Abolish immediate deduction for exploration and prospecting</i>	200.0	1,100.0	1,100.0	800.0	700.0	600.0	600.0	500.0	400.0	400.0	300.0	3,200.0	6,800.0
Total – revenue	300.0	-	100.0	100.0	200.0	200.0	300.0	200.0	100.0	-	-300.0	500.0	1,400.0
Expenses													
<i>Administered</i>													
<i>Component 1 - Abolish fuel tax credits - company tax</i>	6,500.0	6,900.0	7,300.0	7,800.0	8,300.0	8,800.0	9,400.0	9,900.0	10,500.0	11,200.0	11,900.0	28,500.0	98,500.0
<i>Component 4 - Abolish the Australia-China Science and Research Fund</i>	1.8	2.8	2.6	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	9.4	24.8
Total – administered	6,501.8	6,902.8	7,302.6	7,802.2	8,302.2	8,802.2	9,402.2	9,902.2	10,502.2	11,202.2	11,902.2	28,509.4	98,524.8
<i>Departmental</i>													
<i>Component 4 - Abolish the Australia-China Science and Research Fund</i>	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	1.6	4.4
Total – departmental	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	1.6	4.4
Total – expenses	6,502.2	6,903.2	7,303.0	7,802.6	8,302.6	8,802.6	9,402.6	9,902.6	10,502.6	11,202.6	11,902.6	28,511.0	98,529.2
Total	6,802.2	6,903.2	7,403.0	7,902.6	8,502.6	9,002.6	9,702.6	10,102.6	10,602.6	11,202.6	11,602.6	29,011.0	99,929.2

(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.

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

- Indicates nil.

Table A2: End public subsidies for the fossil fuel industry – 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													
<i>Component 1 - Abolish fuel tax credits - company tax deduction</i>	-	-1,600.0	-2,000.0	-2,100.0	-2,200.0	-2,400.0	-2,500.0	-2,700.0	-2,800.0	-3,000.0	-3,200.0	-5,700.0	-24,400.0
<i>Component 2 - Abolish accelerated depreciation</i>	100.0	500.0	1,000.0	1,400.0	1,700.0	2,000.0	2,200.0	2,400.0	2,500.0	2,600.0	2,600.0	3,000.0	19,000.0
<i>Component 3 - Abolish immediate deduction for exploration and prospecting</i>	200.0	1,100.0	1,100.0	800.0	700.0	600.0	600.0	500.0	400.0	400.0	300.0	3,200.0	6,800.0
Total – receipts	300.0	-	100.0	100.0	200.0	200.0	300.0	200.0	100.0	-	-300.0	500.0	1,400.0
Payments													
<i>Administered</i>													
<i>Component 1 - Abolish fuel tax credits - company tax</i>	5,600.0	6,800.0	7,200.0	7,700.0	8,200.0	8,700.0	9,300.0	9,900.0	10,500.0	11,000.0	11,700.0	27,400.0	96,800.0
<i>Component 4 - Abolish the Australia-China Science and Research Fund</i>	1.8	2.8	2.6	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	9.4	24.8
Total – administered	5,601.8	6,802.8	7,202.6	7,702.2	8,202.2	8,702.2	9,302.2	9,902.2	10,502.2	11,002.2	11,702.2	27,409.4	96,824.8
<i>Departmental</i>													
<i>Component 4 - Abolish the Australia-China Science and Research Fund</i>	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	1.6	4.4
Total – departmental	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	1.6	4.4
Total – payments	5,602.2	6,803.2	7,203.0	7,702.6	8,202.6	8,702.6	9,302.6	9,902.6	10,502.6	11,002.6	11,702.6	27,411.0	96,829.2
Total	5,902.2	6,803.2	7,303.0	7,802.6	8,402.6	8,902.6	9,602.6	10,102.6	10,602.6	11,002.6	11,402.6	27,911.0	98,229.2

(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.



Policy costing

Charge royalties for oil and gas and reform the petroleum resource rent tax	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>This proposal would replace the existing petroleum resource rent tax (PRRT) method of uplifting excess expenditure to future years, with the following two treatments.</p> <ul style="list-style-type: none">• All excess expenditure recorded by the implementation date would be depreciated over 10 years to offset PRRT profit. A minimum 10 per cent of existing expenditure would be used each year and be completely expired by year 10.• For all expenditure, including general expenditure, incurred after the implementation date, the available deduction would be based on prime cost depreciation over 15 years so that 6.66 per cent of the expenditure would be available to be deducted each year. There would be no uplift factor applied to unused expenditure. <p>This proposal would apply to both offshore and onshore projects. This proposal would also place a 10 per cent royalty on projects subject to the PRRT, with these royalty payments creditable against PRRT liabilities on a one-for-one basis and treated as a deductible expense in calculating company tax liabilities. Any royalties paid that are not credited against PRRT liabilities in a year would be carried forward, to be credited against PRRT liabilities in a later year.</p> <p>The proposal would have effect from 1 July 2019.</p>	

Costing overview

This proposal would be expected to increase the fiscal balance by \$9,500 million and the underlying cash balance by \$9,300 million over the 2019-20 Budget forward estimates period. This impact reflects a net increase in revenue.

The effect of the proposal would significantly alter the deductibility of expenses for PRRT purposes. The removal of uplift factors and the minimum expensing of existing expenditure mean that project expenditures would be used up much earlier, which will lead to more projects becoming liable for the PRRT over the period to 2029-30.

The components of this proposal would interact, as royalty amounts would be creditable against final PRRT liabilities. This would reduce the overall PRRT that would have been expected to be collected in the absence of the proposed royalty. As more projects become liable for the PRRT, the amount of royalties would be expected to be fully offset against the PRRT. Over time the royalties would not be expected to change the overall impact of taxation on a project. The royalty amount would offset the PRRT and would therefore bring forward the taxation point rather than change the amount of taxation over the life of a project. Changes in the taxation point for each project would be different and some of the net impacts would be expected to occur beyond 2029-30.

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](#).

Departmental expenses for the proposal would not be expected to be material because it would not be expected to significantly alter the administration of the tax system.

The differences between the fiscal and underlying cash balance impacts reflect timing differences between when the PRRT, royalty revenue and the company tax are recognised and when they are paid.

There is a significant degree of uncertainty around the estimated growth in the value of oil and gas production and expected behavioural responses to the proposal, including uncertainty around future oil and gas prices. The proposed royalty would add to the production costs of affected projects and, consequently, it is possible that some more marginal projects would close sooner than they otherwise would have as a result of the proposal, or that some prospective projects may not proceed.¹ As the changes to deductions of expenditure would increase the expected PRRT and reduce the post-tax return on projects, it is also possible that this would lead to some projects closing sooner or that some prospective projects may not proceed. The 2018-19 Mid-Year Economic and Fiscal Outlook measure *Petroleum Resource Rent tax – changing the PRRT settings to get a fair return* changed the PRRT system. The effect of this change on behaviour has not yet been observed. Changes in assumptions relating to these factors could significantly reduce the revenue estimates. The estimates are also sensitive to assumptions around when affected projects would be expected to begin to pay the PRRT over the period to 2029-30.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	3,300	2,000	2,300	2,000	9,500
Underlying cash balance	2,900	1,800	2,400	2,200	9,300

(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.

Key assumptions

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

- Oil and gas production over the period to 2029-30 would not significantly fall as a result of the proposal.
- The company tax rate for companies affected by this proposal is equivalent to the large company tax rate, and all affected companies would be taxable and able to deduct the PRRT from the company tax.
- Companies would not vary pay-as-you-go instalments to allow for the company tax deduction in the first year.

¹ Henry, Ken. & the Treasury. & Australia's Future Tax System Review Panel, 2010. *Australia's future tax system: report to the Treasurer*. Canberra: Australia's Future Tax System Review Panel: The Treasury. page 229.

- The average oil price would be US\$58 per barrel at the end of the 2019-20 Budget forward estimates period and its real value would be maintained over the period to 2029-30 by indexing it by the consumer price index.
- No new oil and gas projects will begin production over the period to 2029-30.
- There would be no new transfers of exploration expenditure.
- Royalties would be paid monthly, consistent with company pay-as-you-go instalments.
- The majority of companies that are investors in PRRT projects would continue to be primarily foreign owned over the period to 2029-30.

Methodology

The PRRT impact was estimated by calculating the effect of changing the deductibility of existing expenses and estimated new expenses. These new deductions were offset against PRRT profit to calculate the overall new PRRT.

Royalty revenue was estimated by calculating the royalty rate against the wellhead value of the forecast production levels of projects that would be subject to the proposed royalty. As the North West Shelf project is currently subject to a Commonwealth royalty, it was excluded from the list of affected projects. Estimated production of offshore oil and gas projects that would become subject to the royalty was based on PBO analysis and data from the global resources consulting firm, Wood Mackenzie.

Royalties paid by projects would be creditable against PRRT liabilities. The royalty revenue is grossed-up by dividing the value of the royalty expenditure by the PRRT rate to fully offset the PRRT. Where these grossed-up royalties could not be deducted against a petroleum project's assessable PRRT receipts in a financial year, the excess was calculated and carried forward.

The company tax impact was estimated based on the estimated royalty amount and estimated increase in PRRT that would become deductible from company tax.

Due to the majority of shareholders in companies that operate PRRT projects being foreign based, the PBO has not calculated the dividend effect of this proposal or any impact on Australian resident shareholders under the dividend imputation arrangements.

Estimates have been rounded to the nearest \$100 million.

The costing has taken into account the timing of tax collections.

Data sources

Australian Taxation Office, 2016. *Corporate tax transparency report for the 2015-16 income year*, Canberra: Australian Taxation Office.

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

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

Department of Industry, Innovation and Science, 2018. *Resources and Energy Quarterly, March 2018*, Canberra: Department of Industry, Innovation and Science.

Henry, Ken. & the Treasury. & Australia's Future Tax System Review Panel, 2010. *Australia's future tax system: report to the Treasurer*. Canberra: Australia's Future Tax System Review Panel: The Treasury.

The Treasury, 2017. *Petroleum Resource Rent Tax Review*, Canberra: Commonwealth of Australia.

Wood Mackenzie provided detailed project level information on oil and gas projects.

Attachment A – Charge royalties for oil and gas and reform the petroleum resource rent tax – financial implications

Table A1: Charge royalties for oil and gas and reform the petroleum resource rent tax – 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													
PRRT	1,300	1,900	1,600	1,100	1,200	3,400	5,200	7,800	8,800	9,200	8,800	5,900	50,300
Royalties	2,400	2,500	2,400	2,300	2,300	2,300	2,200	2,200	2,100	2,100	2,100	9,600	24,800
Company tax	-	-1,800	-1,100	-900	-900	-1,200	-1,600	-2,100	-2,500	-2,700	-2,700	-3,800	-17,400
Interactions between royalties and the PRRT	-400	-600	-600	-500	-500	-1,200	-1,700	-2,000	-2,000	-2,100	-2,100	-2,200	-13,700
Total	3,300	2,000	2,300	2,000	2,100	3,300	4,100	5,900	6,400	6,500	6,100	9,500	44,000

(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: Charge royalties for oil and gas and reform the petroleum resource rent tax – 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													
PRRT	1,000	1,700	1,700	1,300	1,200	2,800	4,800	7,100	8,500	9,100	8,900	5,700	48,100
Royalties	2,200	2,500	2,400	2,300	2,300	2,300	2,200	2,200	2,100	2,100	2,100	9,400	24,700
Company tax	-	-1,800	-1,100	-900	-900	-1,200	-1,600	-2,100	-2,500	-2,700	-2,700	-3,800	-17,400
Interactions between royalties and the PRRT	-300	-600	-600	-500	-500	-1,000	-1,600	-1,900	-2,000	-2,100	-2,100	-2,000	-13,200
Total	2,900	1,800	2,400	2,200	2,100	2,900	3,800	5,300	6,100	6,400	6,200	9,300	42,200

(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.



Policy costing

Expand the Clean Energy Finance Corporation and provide concessional loans to small businesses for battery storage

Party: Australian Greens

Summary of proposal:

This proposal would provide an additional \$10 billion evenly over five years from 1 July 2021 for the Clean Energy Finance Corporation (CEFC). As part of this expansion, the CEFC would be directed to provide concessional loans to small businesses until 2023-24, to assist with the installation of battery storage. These loans would be up to \$15,000 per business in 2021-22, tapering down to \$9,300 in 2023-24, and would be repayable over a 10-year period.

Costing overview

This proposal would be expected to decrease the fiscal balance by \$59 million, increase the underlying cash balance by \$14 million and decrease the headline cash balance by \$1,038 million over the 2019-20 Budget forward estimates period.

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

Consistent with Parliamentary Budget Office (PBO) Guidance 02/2015, public debt interest 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. 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.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-	-	-22	-36	-59
Underlying cash balance	-	-	4	10	14
Headline cash balance	-	-	-348	-688	-1,038

(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.

- 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.
 - This would include the proposed loans to small businesses to assist with the installation of battery storage, which would be made via commercial banks as per the CEFC's existing arrangements. As such, they 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.
- 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 provide 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 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.

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.

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.

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 24.04.2019].

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 25.04.2019].

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 05.03.2019].

Attachment A – Expand the Clean Energy Finance Corporation and provide concessional loans to small businesses for battery storage – financial implications

Table A1: Expand the Clean Energy Finance Corporation and provide concessional loans to small businesses for battery storage – 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													
<i>Income from unwinding concessional loan discounts</i>	-	-	8	24	47	79	118	150	175	192	200	31	993
<i>Loan interest accrued</i>	-	-	9	26	63	121	205	281	346	398	432	35	1,882
<i>Equity investment dividends</i>	-	-	1	2	4	7	10	12	14	15	15	3	81
Total – revenue	-	-	18	52	114	207	333	443	535	605	647	69	2,956
Expenses													
<i>Administered</i>													
<i>Concessional loan discount expense</i>	-	-	-33	-70	-113	-161	-217	-214	-211	-208	-199	-103	-1,427
<i>Write downs</i>	-	-	-	-	-	-	-	-	-5	-11	-18	-	-33
Total – administered	-	-	-33	-70	-113	-161	-217	-214	-216	-219	-217	-103	-1,460
<i>Departmental costs</i>	-	-	-4	-8	-12	-17	-21	-	-	-	-	-12	-62
Total – expenses	-	-	-37	-78	-125	-178	-238	-214	-216	-219	-217	-115	-1,522
Total (excluding PDI)	-	-	-19	-26	-11	29	95	229	319	386	430	-46	1,434
PDI impacts	-	-	-3	-10	-27	-58	-103	-149	-184	-204	-210	-13	-948
Total (including PDI)	-	-	-22	-36	-38	-29	-8	80	135	182	220	-59	486

(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: Expand the Clean Energy Finance Corporation and provide concessional loans to small businesses for battery storage – 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													
<i>Loan interest received</i>	-	-	9	26	63	121	205	281	346	398	432	35	1,882
<i>Dividends on equity investments</i>	-	-	1	2	4	7	10	12	14	15	15	3	81
Total – receipts	-	-	10	28	67	128	215	293	360	413	447	38	1,963
Payments													
<i>Departmental costs</i>	-	-	-4	-8	-12	-17	-21	-	-	-	-	-12	-62
Total – payments	-	-	-4	-8	-12	-17	-21	-	-	-	-	-12	-62
Total (excluding PDI)	-	-	6	20	55	111	194	293	360	413	447	26	1,901
PDI impacts	-	-	-2	-10	-26	-55	-99	-146	-181	-203	-210	-12	-933
Total (including PDI)	-	-	4	10	29	56	95	147	179	210	237	14	968

(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: Expand the Clean Energy Finance Corporation and provide concessional loans to small businesses for battery storage – 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													
<i>Loan repayments</i>	-	-	48	149	314	553	876	1,198	1,517	1,784	1,984	196	8,423
<i>Interest repayments received on loans</i>	-	-	9	26	63	121	205	281	346	398	432	35	1,882
<i>Equity repayments</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Dividends on equity investments</i>	-	-	1	2	4	7	10	12	14	15	15	3	81
Total – receipts	-	-	58	177	381	681	1,091	1,491	1,877	2,197	2,431	234	10,386
Payments													
<i>Administered</i>													
<i>Loans made</i>	-	-	-339	-719	-1,172	-1,697	-2,300	-2,288	-2,266	-2,234	-2,145	-1,058	-15,160
<i>Equity investments</i>	-	-	-61	-128	-176	-217	-252	-188	-132	-83	-39	-190	-1,278
Total – administered	-	-	-400	-847	-1,348	-1,914	-2,552	-2,476	-2,398	-2,317	-2,184	-1,248	-16,438
<i>Departmental costs</i>	-	-	-4	-8	-12	-17	-21	-	-	-	-	-12	-62
Total – payments	-	-	-404	-855	-1,360	-1,931	-2,573	-2,476	-2,398	-2,317	-2,184	-1,260	-16,500
Total (excluding PDI)	-	-	-346	-678	-979	-1,250	-1,482	-985	-521	-120	247	-1,026	-6,114
PDI impacts	-	-	-2	-10	-26	-55	-99	-146	-181	-203	-210	-12	-933
Total (including PDI)	-	-	-348	-688	-1,005	-1,305	-1,581	-1,131	-702	-323	37	-1,038	-7,047

(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 impact¹

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.



Policy costing

Reduce electric vehicle costs, build a national fast charging network, introduce mandatory electric vehicle targets to reach 100 per cent in 2030, and related measures

Party:

Australian Greens

Summary of proposal:

This package of proposals would encourage the uptake of electric vehicles. The proposal consists of five components.

- Component 1: The introduction of subsidies and tax breaks for the purchase of new light passenger battery electric vehicles, plug-in hybrid electric vehicles and fuel cell vehicles, in the form of:
 - a a vehicle registration fee exemption (excluding the compulsory third party insurance premium) for up to three years (with grandfathering arrangements so that as long as participants apply before the policy end date, they could receive the full three years of the exemption) and a stamp duty exemption with grants to the states and territories as compensation
 - b an import tariff exemption (where tariffs have not already been removed)
 - c a goods and services tax (GST) exemption on the sale of eligible vehicles, with a grant to the states and territories as compensation.
- Component 2: A new fossil fuel car tax on all new light passenger vehicles, except battery electric vehicles, plug-in hybrid electric vehicles and fuel cell vehicles, equal to 17 per cent of the GST-inclusive sale price above the luxury car tax (LCT) threshold.
 - The LCT threshold is \$66,331 in 2018-19 and is indexed annually in line with the consumer price index. The fossil fuel car tax threshold would remain pegged to the LCT threshold.
- Component 3: A modification to the LCT fuel efficient vehicle definition from the current seven litres of fuel per 100 kilometres to four litres per 100 kilometres, and a reversal of the 2019-20 Budget measure *Luxury Car Tax – increased refunds for eligible primary producers and tourism operators*.
- Component 4: \$151 million in capped funding evenly spread over four years from 1 July 2019 for charging infrastructure, with departmental expenses included in the cap.
- Component 5: To achieve the aims of the proposal, there would be a target of full-electric passenger vehicles sold in Australia of 2 per cent in 2020, 5 per cent in 2021, 10 per cent in 2022, and then a linear target to 100 per cent in 2030 would be implemented. Vehicle manufacturers would face penalties if they do not reach the sales target each year. There would also be a mandated light vehicle emissions standard of 105 grams of carbon dioxide per kilometre by 2022 on the fleet-wide average of vehicles sold for each manufacturer.

The proposal has a start date of 1 July 2019 and an end date of 30 June 2023 for all components, except for the reversal of the 2019-20 Budget measure *Luxury Car Tax – increased refunds for eligible primary producers and tourism operators*, and the targets for vehicle sales and emissions standards which are ongoing.

Costing overview

This proposal would be expected to decrease the fiscal balance by \$4,721 million and the underlying cash balance by \$4,471 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, this impact reflects a decrease in revenue of \$3,510 million and an increase in expenses of \$1,211 million.

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 period to 2029-30 is provided at [Attachment A](#).

There is a difference between the fiscal and underlying cash balance profiles due to a timing difference between when each revenue component is recognised and when the associated receipt is received. All GST revenue is recognised in the year the tax is levied on the consumer. The payment of GST to the states and territories is recognised as an expense when the GST is actually paid by the Commonwealth Government.

Departmental expenses for the Australian Taxation Office (ATO) would be expected to increase by \$10 million in the first year of the proposal. This includes \$2 million to implement a new reporting and collection system for the fossil fuel car tax and \$8 million to implement systems to both remove GST from relevant vehicles and pay compensation to the states and territories for the subsidies under the proposal. There would be additional departmental expenses of \$5.6 million over the 2019-20 Budget forward estimates period (\$5 million in the first year of the proposal) across various departments as part of the capped funding for charging infrastructure.

The costing estimates for this proposal are particularly sensitive to the assumed magnitude and timing of the take-up rate of new electric vehicles over the life of the proposal. The take-up of electric vehicles and the price of electric and non-electric vehicles are dependent upon a number of factors which are highly uncertain, including improved technology in electric vehicles, expected future infrastructure to support electric vehicle use, and the comparative price of electric vehicles and non-electric vehicles. As there is limited information available to determine the impact of these factors, the estimates have a high level of uncertainty. The costing assumes that there will be sufficient electric vehicles on the market to meet demand for new electric vehicles each year. The behavioural responses that have been factored into the costing assume that the legislation supporting the proposal would be enacted prior to the start date of the proposal. The costing further relies on the assumption that the states and territories would agree to the proposal, and compensation amounts for the states and territories would be agreed in advance. Different arrangements for the operation of the compensation package would change the costing.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	82.3	-397.7	-1,267.8	-3,137.8	-4,721.0
Underlying cash balance	62.3	-357.7	-1,197.8	-2,987.8	-4,471.0

(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.

General

- In the baseline scenario, electric vehicle purchases as a proportion of all new passenger vehicle purchases in Australia would increase from approximately 1.5 per cent in 2019-20 to approximately 6 per cent by 2022-23. This assumption is based on the *Australian Electric Vehicle Market Study* by Energeia. This is the assumed increase in electric vehicle purchases in the absence of any change in policy arrangements – there is currently no electric vehicle sales target factored into the budget baseline.
- The Commonwealth Government would agree with the states and territories in advance the amount of compensation payable to the states and territories each year for the exemptions from stamp duty, registration fees and the GST. This compensation would be based on the expected sales of eligible electric vehicles.
- Any bring-forward in non-electric vehicle purchases, to avoid the introduction of the fossil fuel car tax or change to the LCT, would not materially affect the costing. This is because there would be limited time between the passage of the enabling legislation and the start date of the proposal for people to bring purchases forward.
- It is unlikely that there would be a behavioural response to push back purchases of vehicles at the end of the proposal to avoid the new fossil fuel car tax and the change to the LCT, as these changes would affect high-priced vehicles which are less price sensitive, and the modelling already assumes that there will be a shift to electric vehicles for the duration of the proposal.

Stamp duty and registration fee exemptions (Component 1a)

- The share of vehicles purchased in each state or territory as a proportion of all Australian vehicle purchases would not materially change over the life of the proposal.
- All eligible participants would use the registration fee exemption for the full three years it is available.

Tariff exemption (Component 1b)

- The country of origin for imported electric vehicles would not materially change over the life of the proposal.
- The reduction in tariffs would not have a material effect on the sale price or related GST payable on electric vehicles as the tariff amount per vehicle is relatively small compared to the overall electric vehicle price. Therefore the price per vehicle would not change.
- This component would interact with the electric vehicle targets.

GST exemption (Component 1c)

- There would be no change to the Intergovernmental Agreement on Federal Financial Relations and all reductions in GST receipts (net of administrative expenses) would result in a corresponding reduction in GST payments to the states and territories.
 - As specified in the costing request, the states and territories would receive grant compensation for the impact of the proposal on GST receipts.

- This component would interact with the electric vehicle targets.

Fossil fuel car tax and change to LCT definition of fuel efficiency (Components 2 and 3)

- The proportion of vehicles that are assessed as fuel efficient for LCT purposes would be expected to increase over time.
- The behavioural response relating to the LCT change would be small as buyers of luxury vehicles are not as price sensitive as buyers of cheaper vehicles. Some consumers would either purchase a cheaper non-electric vehicle or switch to an electric vehicle to avoid the tax increase.
- These behavioural responses would not be expected to have a material impact on consumer prices and GST collections

Passenger electric vehicle targets (Component 5)

- The target for passenger electric vehicle sales (2 per cent by 2020, 5 per cent by 2021, 10 per cent by 2022, and 100 per cent by 2030) would be met and the target would not alter demand for new vehicles.
- All passenger electric vehicle sales targets would be met by 1 January of the relevant year.
- There would be sufficient new electric vehicles each year to meet the market demand.
- Vehicle manufacturers would be able to implement the emissions standard by 2022 and this would not affect the vehicles they have on the market.
- People who take up electric vehicles would switch from a non-electric vehicle.

Methodology

Stamp duty and registration fee exemptions (Component 1a)

The lost revenue to states and territories due to the exemption from stamp duty and registration fees was calculated by estimating the number and value of electric vehicles that would be sold each year in each state and territory based on historical sales in each state or territory, and expected future growth in the uptake of electric vehicles. The value of stamp duty and registration fees forgone by each state and territory was then calculated using these estimates. The total value of the compensation to the states and territories that the Commonwealth Government would need to pay was based on these estimates.

Tariff exemption (Component 1b)

The number and value of electric vehicles expected from each relevant country of origin under current policy was estimated for each year. The relevant tariff rate for each country of origin was then applied to these estimates to derive forgone revenue under the proposal.

GST exemption (Component 1c)

The number of electric vehicles sold and the amount of GST on each vehicle was estimated for each year using the average value of electric vehicles. These estimates were then used to calculate the estimated value of forgone revenue and the associated reduction in GST payments to the states and territories, as well as the amount of compensation to the states and territories that would be required.

As the LCT is paid on the GST-inclusive value of vehicles, LCT revenue would be expected to decline as a result of the removal of the GST. The change to the LCT as a result of removing the GST on electric vehicles was estimated by calculating the expected LCT on affected vehicles with and without the GST included in the price, and taking the difference between the values.

Fossil fuel car tax (Component 2)

Estimates of the fossil fuel car tax revenue were calculated by estimating the number and price of non-electric vehicles sold each year and calculating the tax from the fossil fuel car tax. An adjustment was included to reflect the assumed behavioural change from consumers either buying cheaper non-electric vehicles or switching to electric vehicles to avoid the tax.

Change to LCT definition of fuel efficiency and reversal of 2019-20 Budget measure (Component 3)

The tightening of the LCT fuel efficiency definition was estimated by re-calculating total LCT revenue using the proposed fuel efficiency definition. An adjustment was included to reflect the assumed behavioural change. The total increase in LCT revenue was then calculated by subtracting the current LCT estimates from the estimated LCT revenue using the proposed definition.

The reversal of the 2019-20 Budget measure was calculated by estimating the value of refunds that would be likely to be paid out under the measure and then adding that value back to the LCT amount in the costing.

Charging infrastructure (Component 4)

As specified, \$151 million in capped funding was spread over four years from 1 July 2019 for charging infrastructure. Departmental expenses for this component are included in the cap and calculated based on similar changes.

Passenger electric vehicle targets (Component 5)

The target in this proposal would result in increased take-up of electric vehicles. This would lead to a reduction in expected fuel excise revenue. The target would also interact with exempting passenger electric vehicles from GST and tariffs in Component 1. The assumed additional take-up of passenger electric vehicles as a result of this proposal, as a proportion of all passenger vehicles in Australia, was used to work out the reduction in fuel excise that would occur from people switching to electric vehicles and subsequently not paying excise on fuel.

All components

Revenue and administered expenses for Component 1, Component 2 and Component 3 and Component 5 have been rounded to the nearest \$10 million. The administered and departmental expenses for Component 4 have been rounded to the nearest \$100,000.

Data sources

The ATO provided data on electric and non-electric vehicle sales.

Energeia, 2018. *Australian Electric Vehicle Market Study*, Sydney: Energeia.

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

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

Climate Works Australia, 2018. *The State of Electric Vehicles in Australia*, Melbourne: Climate Works Australia.

Department of the Environment and Energy, 2017. *Australia's Emissions Projections 2017*, Commonwealth of Australia: Canberra.

International Energy Agency, 2017. *Global EV Outlook 2017*, France: International Energy Agency.

Attachment A – Reduce electric vehicle costs, build a national fast charging network, introduce mandatory electric vehicle targets to reach 100 per cent in 2030, and related measures – financial implications

Table A1: Reduce electric vehicle costs, build a national fast charging network, introduce mandatory electric vehicle targets to reach 100 per cent in 2030, and related measures – 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													
<i>Tariffs (Component 1b)</i>	-50.0	-130.0	-280.0	-610.0	-	-	-	-	-	-	-	-1,080.0	-1,080.0
<i>Goods and services tax (Component 1c)</i>	-150.0	-400.0	-840.0	-1,810.0	-	-	-	-	-	-	-	-3,190.0	-3,190.0
<i>Fossil fuel car tax (Component 2)</i>	330.0	330.0	340.0	350.0	-	-	-	-	-	-	-	1,350.0	1,350.0
<i>Luxury car tax (Component 3)^(c)</i>	50.0	10.0	-80.0	-220.0	..	..	..	..	..	..	..	-240.0	-220.0
<i>Passenger electric vehicle target (Component 5)</i>	-10.0	-40.0	-90.0	-210.0	-390.0	-650.0	-1,000.0	-1,430.0	-1,950.0	-2,580.0	-3,340.0	-350.0	-11,690.0
Total – revenue	170.0	-230.0	-950.0	-2,500.0	-390.0	-650.0	-1,000.0	-1,430.0	-1,950.0	-2,580.0	-3,340.0	-3,510.0	-14,830.0
Expenses													
<i>Administered</i>													
<i>Compensation to states and territories – registration and stamp duty (Component 1a)</i>	-40.0	-130.0	-280.0	-600.0	-140.0	-100.0	-	-	-	-	-	-1,050.0	-1,280.0
<i>Goods and services tax payments to states and territories (Component 1c)</i>	130.0	360.0	780.0	1,680.0	240.0	-	-	-	-	-	-	2,950.0	3,190.0
<i>Compensation to states and territories – goods and services tax (Component 1c)</i>	-130.0	-360.0	-780.0	-1,680.0	-240.0	-	-	-	-	-	-	-2,950.0	-3,190.0
<i>Charging infrastructure (Component 4)^(d)</i>	-32.7	-37.4	-37.5	-37.8	-	-	-	-	-	-	-	-145.4	-145.4
Total – administered	-72.7	-167.4	-317.5	-637.8	-140.0	-100.0	-	-	-	-	-	-1,195.4	-1,425.4
Total – departmental^(e)	-15.0	-0.3	-0.3	-	-	-	-	-	-	-	-	-15.6	-15.6
Total – expenses	-87.7	-167.7	-317.8	-637.8	-140.0	-100.0	-	-	-	-	-	-1,211.0	-1,441.0
Total	82.3	-397.7	-1,267.8	-3,137.8	-530.0	-750.0	-1,000.0	-1,430.0	-1,950.0	-2,580.0	-3,340.0	-4,721.0	-16,271.0

(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.

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

(c) This includes the impact of reversing the 2019-20 Budget measure *Luxury Car Tax – increased refunds for eligible primary producers and tourism operators*.

(d) The Parliamentary Budget Office has not undertaken any analysis to confirm whether the proposed expenditures would be sufficient to achieve the objective of the policy proposals.

(e) Departmental cost estimates are based on similar changes, and account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

.. Not zero but rounded to zero.

- Indicates nil.

Table A2: Reduce electric vehicle costs, build a national fast charging network, introduce mandatory electric vehicle targets to reach 100 per cent in 2030, and related measures – 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													
<i>Tariffs (Component 1b)</i>	-50.0	-130.0	-280.0	-610.0	-10.0	-	-	-	-	-	-	-1,070.0	-1,080.0
<i>Goods and services tax (Component 1c)</i>	-130.0	-360.0	-780.0	-1,680.0	-240.0	-	-	-	-	-	-	-2,950.0	-3,190.0
<i>Fossil fuel car tax (Component 2)</i>	300.0	330.0	340.0	350.0	30.0	-	-	-	-	-	-	1,320.0	1,350.0
<i>Luxury car tax (Component 3)^(c)</i>	40.0	10.0	-70.0	-210.0	-20.0	..	..	..	..	..	..	-220.0	-220.0
<i>Passenger electric vehicle target (Component 5)</i>	-10.0	-40.0	-90.0	-200.0	-390.0	-650.0	-990.0	-1,420.0	-1,940.0	-2,570.0	-3,330.0	-340.0	-11,630.0
Total – receipts	150.0	-190.0	-880.0	-2,350.0	-630.0	-650.0	-990.0	-1,420.0	-1,940.0	-2,570.0	-3,330.0	-3,260.0	-14,770.0
Payments													
<i>Administered</i>													
<i>Compensation to states and territories – registration and stamp duty (Component 1a)</i>	-40.0	-130.0	-280.0	-600.0	-140.0	-100.0	-	-	-	-	-	-1,050.0	-1,280.0
<i>Goods and services tax payments to states and territories (Component 1c)</i>	130.0	360.0	780.0	1,680.0	240.0	-	-	-	-	-	-	2,950.0	3,190.0
<i>Compensation to states and territories – goods and services tax (Component 1c)</i>	-130.0	-360.0	-780.0	-1,680.0	-240.0	-	-	-	-	-	-	-2,950.0	-3,190.0
<i>Charging infrastructure (Component 4)^(d)</i>	-32.7	-37.4	-37.5	-37.8	-	-	-	-	-	-	-	-145.4	-145.4
Total – administered	-72.7	-167.4	-317.5	-637.8	-140.0	-100.0	-	-	-	-	-	-1,195.4	-1,425.4
Total – departmental^(e)	-15.0	-0.3	-0.3	-	-	-	-	-	-	-	-	-15.6	-15.6
Total – payments	-87.7	-167.7	-317.8	-637.8	-140.0	-100.0	-	-	-	-	-	-1,211.0	-1,441.0
Total	62.3	-357.7	-1,197.8	-2,987.8	-770.0	-750.0	-990.0	-1,420.0	-1,940.0	-2,570.0	-3,330.0	-4,471.0	-16,211.0

(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) This includes the impact of reversing the 2019-20 Budget measure *Luxury Car Tax – increased refunds for eligible primary producers and tourism operators*.

(d) The Parliamentary Budget Office has not undertaken any analysis to confirm whether the proposed expenditures would be sufficient to achieve the objective of the policy proposals.

(e) Departmental cost estimates are based on similar changes, and account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance’s costing practices.

.. Not zero but rounded to zero.

- Indicates nil.



Policy costing

Reintroduce a price on pollution to ensure polluters pay for the damage they are doing	
Party:	Australian Greens
<p>This proposal has two components:</p> <ul style="list-style-type: none">• Component 1 – The proposal would place a price on direct greenhouse gas emissions (scope 1 emissions) for facilities with annual carbon-dioxide-equivalent greenhouse gas emissions of over 25,000 tonnes (scope 1 and scope 2 emissions). Facilities whose primary purpose is agriculture or transportation would be exempt from the proposal. The proposed carbon price would be set at \$32 per tonne of direct carbon-dioxide-equivalent greenhouse gas emissions in 2019-20, indexed according to the consumer price index for the next two years, before rising to \$43 per tonne in 2022-23. The carbon price would grow at 4 per cent per year from 2023-24. The costs of carbon emissions would be deductible for tax purposes. Emissions-intensive trade-exposed industries will receive 80 per cent of their scope 1 and scope 2 emissions as free permits in the first year. The free permit allocations to emissions-intensive trade-exposed entities would reduce to zero over eight years. The current Emissions Reduction Fund would be converted to the Carbon Farming Initiative.• Component 2 – This component would make the following changes to the energy supplement as a means of compensating households for the impact of the proposed carbon price on their electricity bills.<ul style="list-style-type: none">– Increase the base energy supplement payment rate by 30 per cent for all eligible payments.– Reinstatement energy supplement eligibility to the following payment recipients/cardholders:<ul style="list-style-type: none">◆ Family Tax Benefit – Part A◆ Family Tax Benefit – Part B◆ Commonwealth Seniors Health Card.– Index the energy supplement by changes in the headline consumer price index every six months from 1 January 2020. <p>Both components of this proposal would have effect from 1 July 2019.</p>	

Costing overview

The proposal would be expected to increase the fiscal balance by \$21,645 million and the underlying cash balance by \$19,045 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, this impact reflects an increase in revenue of \$24,600 million, partially offset by an increase in administered and departmental expenses of \$2,955 million.

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 each component of the proposal over the period to 2029-30 is included at [Attachment A](#).

The fiscal balance impact differs from the underlying cash balance impact due to the timing difference between when emission liabilities are raised and when payments are made.

Departmental expenses associated with administering Component 1 of the proposal would be expected to be around \$10 million per year for the Department of the Environment and Energy, which encompasses the Clean Energy Regulator and the Climate Change Authority. Departmental expenses for Component 1 are lower compared to the previous carbon pricing mechanism because the proposal is significantly less complex. There would also be a relatively small amount of departmental expenses for the Department of Social Services and the Department of Human Services for Component 2.

This costing is subject to uncertainties, particularly around the expected reduction in carbon emissions by affected entities as a result of Component 1, as well as changes in the number of recipients eligible for compensation over the medium term under Component 2. The Parliamentary Budget Office (PBO) has assessed that, given the price would increase steadily in real terms over the long run, there would be ongoing reductions in carbon emissions.

The overall behavioural response is calculated based on analysis of modelling of the effect of a carbon price under various scenarios, and is subject to uncertainty due to factors such as differences in the response between industries with different levels of carbon intensity, variations in industry-by-industry economic growth rates, and technological developments affecting the cost of abatement across different industries. It is possible that some affected entities would cease operating as a result of the proposal, in both directly and indirectly affected industries. If there was a larger emissions reduction as a result of this proposal, it would result in a smaller increase in revenue.

Reintroducing a carbon price would be expected to have broader macroeconomic impacts, including on production costs and inflation. These would be expected to have a flow-on effect on government payments and excise revenue due to consumer price index indexation. This costing has not included these impacts because there is too much uncertainty to estimate their magnitude and timing; however they would be expected to reduce the gain to the budget of this proposal.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	6,557	3,299	4,929	6,759	21,645
Underlying cash balance	4,757	3,299	4,829	6,159	19,045

(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

Carbon price

- Based on the modelling of the former carbon pricing mechanism and data provided by the Department of the Environment and Energy, carbon emissions would decline by approximately 1.3 per cent per year over the period to 2029-30 in response to the reintroduction of the carbon price.
 - The annual emissions reduction rate is based on the central scenario from the Department of the Environment and Energy's 2013 report *Climate Change Mitigation Scenarios – Modelling report provided to the Climate Change Authority in support of its Caps and Targets Review*.
- Without the carbon price, carbon emissions unrelated to the agriculture and transport sectors would increase at an average growth rate of 0.1 per cent per year over the period to 2029-30, based on forecasts provided by the Department of the Environment and Energy.
- Companies would not be able to distribute carbon emissions between facilities to get a portion of their emissions below the 25,000 tonne facility threshold.
- Carbon price revenue would be calculated and paid quarterly, with payments occurring in the next quarter for affected entities.
- All manufacturing facilities affected by the proposal would be considered emissions-intensive trade-exposed entities and be eligible for free permits.
- The amount of Australian carbon credit units issued under the Carbon Farming Initiative would remain constant at the historical average level of 2014-15 to 2018-19 over the period to 2029-30.

Income tax

- 81 per cent of affected businesses would be taxable, based on an analysis of company tax data provided by the Australian Taxation Office.
- Affected businesses would pay out 70 per cent of net profits as dividends.
- Domestic shareholders would receive 40 per cent of total dividends from affected businesses and claim imputation credits.

Component 2

Household compensation package

- The number of social welfare payment recipients affected by the proposal can be projected over time based on the growth in the overall number of social welfare recipients for each payment type, with allowance made for previous and announced policy changes.

Methodology

Component 1

Carbon price

The total number of taxable carbon-dioxide-equivalent greenhouse gas emissions was calculated by summing direct emissions from affected facilities and then subtracting the number of free permits and carbon credits issued each year. The number of free permits issued each year was calculated by multiplying the estimated total of scope 1 and scope 2 emissions of manufacturing facilities by the proportions specified in the proposal.

The financial implications of the proposal were estimated by multiplying the estimated total number of taxable carbon-dioxide-equivalent greenhouse gas emissions by the carbon price for each year, taking into account the assumptions outlined above and then adjusting for company tax impacts.

Departmental expenses for the Department of the Environment and Energy to administer the proposal were based on the departmental expenses for previous costings with similar levels of administrative complexity.

Component 2

Household compensation package

Financial implications were calculated by multiplying the number of new and existing recipients by the additional energy supplement amount payable for each group.

- The additional energy supplement amount payable is equal to base payment plus 30 per cent for newly eligible recipients and 30 per cent increase for existing recipients.
- The number of newly eligible recipients was estimated based on the 2016-17 Budget measure *National Disability Insurance Scheme Savings Fund* costing model.

The PBO updated the model to reflect population and average payment rates as at the 2019 Pre-election Economic and Fiscal Outlook and applied indexation as specified in the proposal.

The financial implications were projected over the medium term by applying the appropriate payment population and indexation growth rates.

Data sources

The Australian Taxation Office provided de-identified unit record data on company tax returns for the 2016-17 income year.

The Department of the Environment and Energy provided de-identified facility level data on carbon emissions for the 2008-09 to 2016-17 financial years, which was collected under the National Greenhouse Energy Reporting Scheme.

Department of the Environment and Energy, 2018. *Quarterly Update of Australia's National Greenhouse Gas inventory: December 2017*, Canberra: Commonwealth of Australia.

Clean Energy Regulator, 2018. *Report on total number of Australian carbon credit units issued*, Canberra: Commonwealth of Australia.

Clean Energy Regulator, 2018. *Emissions-intensive trade-exposed activity summary 2017*, Canberra: Commonwealth of Australia.

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

Commonwealth of Australia, 2018. *Australia's emissions projections 2018*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2013. *Climate Change Mitigation Scenarios – Modelling report provided to the Climate Change Authority in support of its Caps and Targets Review*, Canberra: Commonwealth of Australia.

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

The Department of Social Services provided the model for its component of the 2016-17 Budget measure *National Disability Insurance Scheme Savings Fund*.

The Department of Veterans' Affairs provided the model for its component of the 2016-17 Budget measure *National Disability Insurance Scheme Savings Fund*.

Attachment A – Reintroduce a price on pollution to ensure polluters pay for the damage they are doing – financial implications

Table A1: Reintroduce a price on pollution to ensure polluters pay for the damage they are doing – 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													
<i>Component 1 – Carbon price</i>	7,200	7,500	7,900	10,300	10,900	11,600	12,300	13,000	13,800	14,100	14,500	33,000	123,200
<i>Component 1 – Income taxes</i>	-	-3,500	-2,200	-2,700	-3,000	-3,200	-3,400	-3,600	-3,800	-4,000	-4,100	-8,400	-33,600
Total – revenue	7,200	4,000	5,700	7,600	7,900	8,400	8,900	9,400	10,000	10,100	10,400	24,600	89,600
Expenses													
<i>Administered</i>													
<i>Component 2 – Household compensation package</i>	-630	-690	-760	-830	-910	-980	-1,070	-1,150	-1,240	-1,340	-1,450	-2,910	-11,040
Total – administered	-630	-690	-760	-830	-910	-980	-1,070	-1,150	-1,240	-1,340	-1,450	-2,910	-11,040
<i>Departmental</i>													
<i>Component 1 – Administration of the carbon price</i>	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-40	-110
<i>Component 2 – Administration of the compensation package</i>	-3	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-5	-9
Total – departmental	-13	-11	-11	-11	-11	-11	-11	-11	-11	-11	-11	-45	-119
Total – expenses	-643	-701	-771	-841	-921	-991	-1,081	-1,161	-1,251	-1,351	-1,461	-2,955	-11,159
Total	6,557	3,299	4,929	6,759	6,979	7,409	7,819	8,239	8,749	8,749	8,939	21,645	78,441

(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: Reintroduce a price on pollution to ensure polluters pay for the damage they are doing – 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													
<i>Component 1 – Carbon price</i>	5,400	7,500	7,800	9,700	10,800	11,400	12,100	12,800	13,600	14,100	14,400	30,400	119,600
<i>Component 1 – Income taxes</i>	-	-3,500	-2,200	-2,700	-3,000	-3,200	-3,400	-3,600	-3,800	-4,000	-4,100	-8,400	-33,600
Total – receipts	5,400	4,000	5,600	7,000	7,800	8,200	8,700	9,200	9,800	10,100	10,300	22,000	86,000
Payments													
<i>Administered</i>													
<i>Component 2 – Household compensation package</i>	-630	-690	-760	-830	-910	-980	-1,070	-1,150	-1,240	-1,340	-1,450	-2,910	-11,040
Total – administered	-630	-690	-760	-830	-910	-980	-1,070	-1,150	-1,240	-1,340	-1,450	-2,910	-11,040
<i>Departmental</i>													
<i>Component 1 – Administration of the carbon price</i>	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-40	-110
<i>Component 2 – Administration of the compensation package</i>	-3	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-5	-9
Total – departmental	-13	-11	-11	-11	-11	-11	-11	-11	-11	-11	-11	-45	-119
Total – payments	-643	-701	-771	-841	-921	-991	-1,081	-1,161	-1,251	-1,351	-1,461	-2,955	-11,159
Total	4,757	3,299	4,829	6,159	6,879	7,209	7,619	8,039	8,549	8,749	8,839	19,045	74,841

- (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.



Policy costing

Terminate the Climate Solutions Fund	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>This proposal would abolish the Climate Solutions Fund (the Fund) and return any uncommitted funds to the budget.</p> <p>The proposal would have effect from 1 July 2019.</p>	

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 – Terminate the Climate Solutions Fund – financial implications

Table A1: Terminate the Climate Solutions Fund – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
<i>Administered expenses</i>	82	82	82	174	419
<i>Departmental expenses</i>	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.



Policy costing

Increase Newstart and other payments and amend Parenting Payment Single by increasing the qualifying age of the youngest dependent child

Party: Australian Greens

Summary of proposal:

This proposal has two components.

- Component 1: For those payments listed below:
 - increase the maximum single payment rate by \$75 a week
 - change the indexation arrangements to those used to index the age pension.
 - ◆ Newstart Allowance
 - ◆ Youth Allowance (other – living away from home only)
 - ◆ ABSTUDY (non-tertiary)
 - ◆ Sickness Allowance
 - ◆ Special Benefit
 - ◆ Widow Allowance
 - ◆ Crisis Payment
 - ◆ Jobseeker Payment
 - ◆ Parenting Payment Single.

Component 1 would also remove the pause on the indexation of the income-test-free area threshold for Parenting Payment Single

- Component 2: Increase the Parenting Payment Single qualifying age of the youngest dependent child from eight to 16 years of age.

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 \$16,495 million over the 2019-20 Budget forward estimates period. This impact reflects increases in administered and departmental expenses that are partly offset by increased personal income tax revenue over this period.

The proposal would be expected to have an ongoing impact which extends beyond the 2019-20 Budget forward estimates period. Detailed financial implications over the period to 2029-30 are included at [Attachment A](#).

The estimates in this costing are based on de-identified Department of Human Services administrative transfer payment data. The estimates are sensitive to uncertainty associated with the indexation and population growth rates used to project the payment data across the medium term. They are also sensitive to the behavioural response assumptions listed below.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-3,872	-3,913	-4,197	-4,532	-16,495
Underlying cash balance	-3,872	-3,913	-4,197	-4,532	-16,495

(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.

- No transfer payment recipients would alter their earned income in response to the proposal.
- Income support recipients would not alter their marital status in response to the proposal.
- There would be no switching between payments in order to receive the payment rate increase because all similar payment types would be increasing by the same amount under the proposal.

Methodology

Administered expenditure and revenue estimates for all transfer payments affected by this proposal, except ABSTUDY (non-tertiary) and Crisis Payment, were calculated using the Policy and Evaluation Model (PoEM). PoEM is a microsimulation model of administered transfer payments projected over the 2019-20 Budget forward estimates period. The PBO has extended PoEM over the medium term to 2029-30.

Administered expenditure estimates for ABSTUDY (non-tertiary) and Crisis Payment were calculated by multiplying the projected number of eligible recipients of these payments by the proposed payment increase, and growing the results over time by appropriate indexation factors.

The costing for Component 2 includes the impact of the higher payment rate as proposed under Component 1.

The departmental impact for Component 1 was calculated by multiplying the number of additional recipients for each transfer payment that would result from this proposal by the estimated annual cost of administering payments to each new recipient. Departmental implementation costs were estimated based on a budget measure of similar complexity. Departmental expenses for Component 2 were estimated based on a budget measure of similar complexity.

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

Data sources

The Department of Human Services provided annual unit payment administration costs as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Social Services provided expenditure and population forecasts for income support recipients as at the 2019 Pre-election Economic and Fiscal Outlook.

Commonwealth of Australia, 2017. *2017-18 Budget*, Canberra: Commonwealth of Australia.

Department of Human Services, 2015. *Supplementary Budget Estimates - 22 October 2015, Answer to Question on Notice HS 216*. Canberra: Senate Community Affairs Legislation Committee.

Department of Social Services, 2018. *DSS Demographics December 2018*. [Online].

Available at: <https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/distribution/dist-dga-3c69d15e-5ac1-48d9-9ae4-56957c63485a/details?q=> [Accessed 23.4.2019].

Attachment A – Increase Newstart and other payments and amend Parenting Payment Single by increasing the qualifying age of the youngest dependent child – financial implications

Table A1: Increase Newstart and other payments and amend Parenting Payment Single by increasing the qualifying age of the youngest dependent child – 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													
<i>Personal income tax</i>													
<i>Component 1</i>	150	160	180	190	210	230	290	340	400	520	660	670	3,330
<i>Component 2</i>	50	60	80	80	90	90	100	100	110	110	120	280	1,010
Total – revenue	200	220	260	270	300	320	390	440	510	630	780	950	4,340
Expenses													
<i>Administered</i>													
<i>Component 1</i>	-3,580	-3,640	-3,950	-4,280	-4,600	-5,010	-5,440	-5,940	-6,480	-7,070	-7,690	-15,440	-57,660
<i>Component 2</i>	-430	-440	-450	-460	-480	-500	-520	-550	-580	-600	-630	-1,770	-5,630
Total – administered	-4,010	-4,080	-4,400	-4,740	-5,080	-5,510	-5,960	-6,490	-7,060	-7,670	-8,320	-17,210	-63,290
<i>Departmental</i>													
<i>Component 1</i>	-59	-53	-57	-62	-67	-73	-81	-88	-97	-105	-114	-232	-856
<i>Component 2</i>	-3	-	-	-	-	-	-	-	-	-	-	-3	-3
Total – departmental	-62	-53	-57	-62	-67	-73	-81	-88	-97	-105	-114	-235	-859
Total – expenses	-4,072	-4,133	-4,457	-4,802	-5,147	-5,583	-6,041	-6,578	-7,157	-7,775	-8,434	-17,445	-64,149
Total	-3,872	-3,913	-4,197	-4,532	-4,847	-5,263	-5,651	-6,138	-6,647	-7,145	-7,654	-16,495	-59,809

(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.



Policy costing

Establish an independent Equality Commission to provide advice on income support and economic inequality

Party: Australian Greens

Summary of proposal:

This proposal would establish an ongoing independent Equality Commission (the Commission) with one president and four part-time commissioners. The Commission would have staffing levels similar to the Commonwealth Grants Commission.

Each year the Commission would receive submissions from community organisations, peak bodies, and other interested parties. It would commission expert analysis and provide public advice to government and the Parliament on living costs for various groups and household types, in particular for income support recipients.

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 \$28.0 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 beyond the 2019-20 Budget forward estimates period, with the financial implications reflecting the net effect of wage indexation and the efficiency dividend.

The estimated financial implications of this proposal are sensitive to changes in the function, size and structure of the Commission.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-5.8	-7.3	-7.5	-7.5	-28.0
Underlying cash balance	-5.8	-7.3	-7.5	-7.5	-28.0

(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.

- Support staff would progressively join the Commission, resulting in a half-year impact in 2019-20. This also results in a part-year impact on non-employee costs.
- The Commission would require 34 full-time staff, based on the estimated average staffing level at the Commonwealth Grants Commission in 2019-20 – as published in the Treasury Portfolio Budget Statements 2019-20. Non-employee costs have also been estimated based on an average staffing level of 34 full-time staff.
- Set-up costs of \$1.5 million would be required in 2019-20.

Methodology

To estimate the financial implications of this proposal, the PBO used a standard departmental costing model, published information on the remuneration of full-time public office holders at the Productivity Commission, and published information on the staffing levels by employment status at the Productivity Commission and the Commonwealth Grants Commission. Both salary and non-employee costs were grown by the net effect of the appropriate wage cost index and the efficiency dividend.

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

Data sources

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

Remuneration Tribunal, 2019. *Remuneration and Allowances for Holders of Full-Time Public Office*, Canberra: Remuneration Tribunal. [Online] Available at: <https://www.remtribunal.gov.au/offices/full-time-offices> [Accessed 08.04.2019].

Productivity Commission, 2018. *Annual Report 2017-18*, Canberra: Productivity Commission. [Online] Available at: <https://www.pc.gov.au/about/governance/annual-reports/2017-18/annual-report-2017-18.pdf> [Accessed 08.04.2019].

The Treasury, *Portfolio Budget Statements 2019-20*, Canberra: Department of the Treasury. [Online] Available at: https://www.treasury.gov.au/sites/default/files/2019-04/pbs_2019-20_combined.pdf [Accessed 08.04.2019].

Attachment A – Establish an independent Equality Commission to provide advice on income support and economic inequality – financial implications

Table A1: Establish an independent Equality Commission to provide advice on income support and economic inequality – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
<i>Departmental</i>					
<i>Commissioners</i>	-1.2	-1.2	-1.3	-1.3	-5.0
<i>Support staff and non-employee related costs</i>	-3.1	-6.1	-6.2	-6.2	-21.5
<i>Set-up costs</i>	-1.5	-	-	-	-1.5
Total – expenses	-5.8	-7.3	-7.5	-7.5	-28.0

(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.



Policy costing

Introduce a 35 per cent minimum tax rate on incomes above \$300,000 and make the deficit levy permanent

Party: Australian Greens

Summary of proposal:

The proposal has two components:

- Component 1: Permanently reinstate the deficit levy at 2 per cent for taxable incomes greater than \$180,000. The fringe benefits tax rate would also increase to 49 per cent.
- Component 2: Implement a minimum tax liability (also known as a 'Buffett Rule') for individuals with total income above \$300,000.
 - Total income would consist of assessable income, net investment losses, exempt foreign employment income, reportable superannuation contributions and reportable fringe benefits. Net (rather than gross) business and investment income would also be included in the calculation of total income. Franking credits would not be included as part of total income.
 - The minimum tax liability would be calculated as 35 per cent of total income.
 - The minimum tax liability would be assessed against gross tax, the application of refundable and non-refundable offsets (including franking credits), and the Medicare levy, but not the Medicare levy surcharge.
 - The \$300,000 threshold would be indexed every two years in line with male total average weekly earnings.

The proposal would have effect from 1 July 2019 (for the personal income tax changes) and 1 April 2019 (for the fringe benefits tax changes).

Costing overview

Policy background

Personal income tax is levied on taxable income, which includes income from salary and wages, investment income from rent, interest and dividends, capital gains from shares or property, and a number of other sources. Individuals are also able to reduce their taxable income by claiming certain deductions that are directly related to earning income, such as expenses incurred in employment, or in earning investment income.

Under Component 2 of this proposal, individuals with a total income above \$300,000 (before most deductions are applied) would be liable to pay a minimum tax liability of at least 35 per cent of their total income.

This would primarily affect individuals with total incomes above \$300,000 who have significant deductions such that their average tax rate is below 35 per cent.¹ Individuals with total incomes above the \$300,000 threshold would not be affected by the proposal if they have only a small amount of deductions, or if their total income is sufficiently high such that their average tax rate already exceeds 35 per cent.²

Financial impact

The proposal would be expected to increase the fiscal balance and underlying cash balance by \$14,388 million over the 2019-20 Budget forward estimates period. This reflects an increase in revenue of \$14,400 million, partly offset by an increase in departmental expenses of \$12 million for the Australian Taxation Office (ATO) over this period.

The proposal would be expected to have an impact that extends beyond the 2019-20 Budget forward estimates period. Detailed financial implications of the proposal over the period to 2029-30 are provided at [Attachment A](#).

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	1,194	4,196	4,499	4,499	14,388
Underlying cash balance	1,194	4,196	4,499	4,499	14,388

- (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.

Component 2 is estimated to raise the majority of the revenue over the 2019-20 Budget forward estimates period. When implemented as a package, the total revenue raised would be expected to be less than the revenue raised from implementing the components separately. This is because Component 1 increases average tax rates, meaning that the minimum tax liability would have less of an impact on some individuals.

Component 2 would be expected to involve an increase in departmental expenses for the ATO, as the cost of monitoring these changes to the taxation system would be significant. Component 1 would not be expected to involve any change in departmental expenses as it would not change the administrative complexity of the system.

Uncertainties

The costing is subject to significant uncertainties surrounding income and population growth rates, as well as behavioural responses to the proposal. The costing does not account for changes to labour supply as a result of the proposal. Studies indicate that some individuals may reduce their working hours in response to higher marginal tax rates, while others may choose to work more as a result of

¹ For example, an individual with \$400,000 in total income and \$200,000 in deductions would be affected by this proposal in 2019-20. Under current policy settings, in 2019-20 this individual would have a tax liability of \$67,097. Under the proposal, this individual would have a minimum tax liability of \$140,000.

² For example, an individual with \$400,000 in total income and \$40,000 in deductions would not be affected by this proposal in 2019-20. Under current policy settings, in 2019-20 this individual would have a tax liability of \$142,297, which is greater than the minimum tax liability of \$140,000 they would have under the proposal.

the decrease in after-tax income.³ There are also uncertainties surrounding the broader macroeconomic implications of the proposal, which have not been accounted for in this costing. For instance, Component 2 would have the effect of removing tax deductibility for certain expenses for affected individuals, which would increase the after-tax cost of these goods and services. This may result in reduced expenditure on these goods or services, with possible flow on effects to the budget.

Key assumptions

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

Behavioural responses

- Component 1: Some high income earners would respond to the proposal by adjusting their taxable income in order to reduce the impact of the deficit levy.
 - Individuals with taxable incomes in excess of \$180,000 are assumed to have a taxable income elasticity of 0.2.⁴ In the absence of this behavioural response, the estimated financial implications of this component would be around 60 per cent higher over the period to 2029-30.
 - Individuals subject to the deficit levy in 2019-20 would bring forward 5 per cent of their income from 2019-20 to 2018-19. In the absence of this behavioural response, the estimated financial implications of this component would be around \$75 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 return, which occurs from the 2019-20 financial year.
- Component 2: Some individuals with total income above the \$300,000 threshold would make changes to their financial affairs in order to mitigate the impact of the proposal.
 - Individuals could redirect income distributed from partnerships, trusts or companies to other entities so that their total income is reduced to below the threshold.
 - Individuals could defer the realisation of capital gains in order to avoid exceeding the threshold in a particular year.⁵
 - Some individuals may bring forward income and/or deductions prior to the proposal's implementation date of 1 July 2019.
 - In the absence of these behavioural responses, the estimated financial implications of this component would be around 40 per cent higher over the period to 2029-30.

³ 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.

⁴ A 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 rate (one minus the marginal tax rate). An elasticity of 0.2 means that if an increase in the 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, A., Liu, L., Mylonas, V. and Wingender, P., 2018. *Are Elasticities of Taxable Income Rising?*, International Monetary Fund.

⁵ This component is similar to the original 'Buffett Rule' that was contemplated in the United States. That proposal would have applied a minimum tax rate of 30 per cent on individuals making more than \$1 million a year. In costing the proposal, the Joint Committee on Taxation in the United States also assumed that high-income taxpayers would defer the realisation of capital gains to fall beneath the 'Buffett Rule' threshold in a particular year.

Timing of revenue

- 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.
- Any additional tax payable under the minimum tax liability would be collected on assessment (when individuals lodge their tax returns). There would be no change to pay-as-you-go arrangements.

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 for each component.
- Behavioural responses were incorporated, reflecting the assumptions above.
- The modelling has taken into account the timing of tax collections.
- Revenue estimates have been rounded to the nearest \$100 million. Departmental expenses have been rounded to the nearest \$1 million. The interaction between the two components has been rounded to the nearest \$10 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
- a 100 per cent file of de-identified personal income tax and superannuation returns for the 2015-16 and 2016-17 tax years.

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.

Klemm, A., Liu, L., Mylonas, V. and Wingender, P., 2018. *Are Elasticities of Taxable Income Rising?*, International Monetary Fund.

United States Congress Joint Committee on Taxation, 2012. *Memo on Buffett Rule*, Washington: United States Congress Joint Committee on Taxation.

Attachment A – Introduce a 35 per cent minimum tax rate on incomes above \$300,000 and make the deficit levy permanent

Table A1: Introduce a 35 per cent minimum tax rate on incomes above \$300,000 and make the deficit levy permanent – 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													
<i>Component 1 – Permanent deficit levy</i>	1,100	1,500	1,700	1,800	2,000	2,000	2,100	2,300	2,500	2,700	2,900	6,300	22,700
<i>Component 2 – Minimum tax liability</i>	-	3,000	3,300	3,200	3,600	3,600	4,500	4,300	4,700	4,600	4,900	9,500	39,700
<i>Interaction</i>	100	-300	-500	-500	-600	-600	-700	-700	-800	-800	-800	-1,400	-6,300
Total – revenue	1,200	4,200	4,500	4,500	5,000	5,000	5,900	5,900	6,400	6,500	7,000	14,400	56,100
Expenses													
<i>Departmental</i>													
<i>Component 2 – Minimum tax liability</i>	-6	-4	-1	-1	-1	-1	-1	-1	-1	-1	-1	-12	-19
Total – expenses	-6	-4	-1	-1	-1	-1	-1	-1	-1	-1	-1	-12	-19
Total	1,194	4,196	4,499	4,499	4,999	4,999	5,899	5,899	6,399	6,499	6,999	14,388	56,081

(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.



Policy costing

Reform the tax treatment of discretionary trusts	
Party:	Australian Greens
Summary of proposal: <ul style="list-style-type: none">• Implement a minimum tax rate of 30 per cent on primary and non-primary production discretionary trust distributions to mature beneficiaries (individuals over 18 years of age).<ul style="list-style-type: none">– 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.– The minimum tax rate would not apply to distributions from discretionary charitable trusts, deceased estate trusts, or testamentary trusts. <p>The proposal would take effect from 1 July 2019.</p>	

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 \$8,585 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in revenue of \$8,600 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	1,185	2,400	2,400	2,600	8,585
Underlying cash balance	1,185	2,400	2,400	2,600	8,585

(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.
- 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 (including farmers) could choose to pay wages to working family members instead of using trust distributions.

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*.

- 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 impact 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.

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 – Reform the tax treatment of discretionary trusts – financial implications

Table A1: Reform the tax treatment of discretionary trusts – 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
<i>Revenue</i>	1,200	2,400	2,400	2,600	2,700	2,900	3,100	3,200	3,300	3,500	3,500	8,600	30,600
<i>Departmental – ATO</i>	-15	-	-	-	-	-	-	-	-	-	-	-15	-15
Total	1,185	2,400	2,400	2,600	2,700	2,900	3,100	3,200	3,300	3,500	3,500	8,585	30,585

(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.



Policy costing

Reinstate Indigenous Affairs funding, and address selected First Nations issues

Party:

Australian Greens

Summary of proposal:

This proposal has six components. The proposal would have effect from 1 July 2019.

- Component 1: Provide capped funding of \$50 million over three years to establish a body such as the Makaratta Commission suggested in the Uluru Statement from the Heart, which, as per that Statement, would 'supervise a process of agreement-making between governments and First Nations and truth-telling about our history'.
- Component 2: Establish a First Nations Voice in Parliament (and in the Constitution) with the following elements.
 - Element 1: Consultation on a constitutional referendum on constitutional recognition. This consultation would follow a similar process to the Referendum Council. Funding allocated under the 2019-20 Budget measure *Constitutional recognition of ATSI Peoples – co-design process* would be redirected to this consultation.
 - Element 2: Hold a referendum on establishing a First Nations Voice.
The referendum would occur within 12 months of the proposal's start date.
- Component 3: Address the high incarceration rates of First Nations people.
 - Element 1: Establish an interdepartmental taskforce to develop a national, whole-of-government strategy to address incarceration rates modelled on the Child Abuse Royal Commission Implementation Taskforce that was established to oversee the implementation of the recommendations of the Royal Commission into Institutional Responses to Child Sexual Abuse. This Taskforce would be funded over the 2019-20 Budget forward estimates period.
 - Element 2: Provide funding of \$10 million over four years to establish a National Centre for Justice Reinvestment. Justice reinvestment is a comprehensive, data-driven approach to reducing criminal justice system expenditure and improving outcomes, with identified cost savings reinvested to further improvements.
 - Element 3: Provide \$50 million over four years for a Justice Reinvestment Grants Program.
Elements 2 and 3 would have the following functions.
 - ◆ Identify data required to implement a justice reinvestment approach and to establish a national approach to collecting justice indicator data.
 - ◆ Provide advice on methodology regarding justice reinvestment.
 - ◆ Identify the national, consistent data required for effective implementation of justice reinvestment.
 - ◆ Develop options for policy and initiatives to reduce incarceration levels and identify potential savings for corrections budgets.

- ◆ Assist with justice mapping, for example, to identify existing services (and gaps in services) that are required to reduce crime.
- ◆ Broker agreements between stakeholders.
- ◆ Provide independent evaluation of programs and estimated savings.
- ◆ Monitor reinvestment of savings in communities, identified through justice mapping.
- ◆ Administer the Justice Reinvestment Grants Program.

Where relevant, any departmental costs required are to be in addition to the specified capped amounts.

- Component 4: Reduce the number of First Nations children in out-of-home care.
 - Element 1: Provide \$50 million over four years for First Nations children in out-of-home care projects.
 - Element 2: Provide \$300,000 to review parental consent requirements for identity documents to remove barriers for children and young people in out-of-home care.
 - Element 3: Double the rate of the Transition to Independent Living Allowance to provide extra support for young people at a crucial transition point.
- Component 5: Provide \$500 million from the savings achieved through the introduction of the Indigenous Advancement Strategy as at the 2014-15 Budget.
 - The \$500 million, in 2014 dollar terms, would be adjusted for inflation using the consumer price index (CPI) and include projected CPI increases over the funding period.
- Component 6: Provide \$50 million, spread evenly over three years, for a pathway towards a treaty.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$919 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of \$698 million and an increase in departmental expenses of \$221 million.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is provided at [Attachment A](#). Only Element 3 of Component 4 of the proposal would be expected to have an ongoing administered expense impact of around \$2 million each year beyond the 2019-20 Budget forward estimates period.

Component 2's estimated financial implications are sensitive to the actual structure and process used to conduct the constitutional referendum and the associated consultation process.

Element 1 of Component 3's estimated financial implications are sensitive to the assumed structure of the interdepartmental taskforce. The administered expenses of Elements 2 and 3 of Component 3 are certain and are based on specified capped amounts. The departmental expenses of Elements 2 and 3 of Component 3 are sensitive to the assumed mechanisms involved in implementing the National Centre for Justice Reinvestment and the Justice Reinvestment Grants Program.

The estimated financial implications of Elements 1 and 2 of Component 4 are based on specified capped funding amounts. The departmental expenditure component for Element 1 of Component 4 is sensitive to the assumed staff size and costs incurred in delivering projects for First Nations children in out-of-home care.

Table 1: Financial implications (\$m)^(a)

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-261	-228	-231	-199	-919
Underlying cash balance	-261	-228	-231	-199	-919

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

Key assumptions

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

Component 2

- The consultation process in Element 1 would follow a similar process to the Referendum Council's consultation process that was funded through the 2016-17 Budget measure *Towards Constitutional Recognition of Aboriginal and Torres Strait Islander peoples*.
 - The consultation costs would be fully incurred in 2019-20.
- A constitutional referendum would be held within 12 months of the start date of the proposal and no public funding would be provided to outside campaign groups.
 - The referendum would be held separately to the next general election.

Component 3

- The administered expenditure items of the interdepartmental taskforce consist of expenditure items equivalent to the Prime Minister's Indigenous Advisory Council as at the 2018-19 Budget.
- Twice as many support staff would be required for the inter departmental taskforce compared to the Indigenous Advisory Council as at the 2018-19 Budget.
- The administered expenses of the interdepartmental taskforce would be indexed by the CPI.
- The specified capped funding amounts for Elements 2 and 3 are split evenly over four years.
- Elements 2 and 3 would require departmental expenses to carry out the functions identified by the requestor.

Component 4

- The specified capped funding for Element 1 would be split evenly over four years. Departmental expenses are based on the 2016-17 Budget measure *National Framework for Protecting Australia's Children – Third Action Plan 2015–18*.
- The specified capped funding for Element 2 would be fully spent in the first year of the proposal.
- The annual growth in the recipient population for the Transition to Independent Living Allowance in each financial year over the period 2019-20 to 2029-30 would be equal to the average projected annual growth in the Australian population aged 15 to 24 over the same period. Growth in the Australian population was converted from calendar years to financial years.
- Recipients will claim all of the increase to the Transition to Independent Living Allowance.

Methodology

Components 1 and 6

The expenses for these components are based on the specified capped funding amounts. The PBO has not undertaken any analysis to assess whether the proposed expenditures would be sufficient to achieve the objectives of these components.

Component 2

The net administered expenses for Element 1 were estimated as the cost of national consultation activities undertaken by the Referendum Council regarding recognising Aboriginal and Torres Strait Islander peoples in the Constitution, indexed by the wage cost index 3 and adjusted for funding under the 2019-20 Budget measure *Constitutional recognition of ATSI Peoples – co-design process*.

The departmental expenses for Element 2 were based on the Australian Electoral Commission's estimated costs of conducting the *Marriage Equality Plebiscite Bill 2015* as if it was a referendum and a stand-alone event, indexed by the CPI and the projected growth of Australia's population to 2019-20.

Component 3

The administered expenses for Element 1 were estimated by calculating the costs of establishing an interdepartmental taskforce with equivalent expenditure items as the Prime Minister's Indigenous Advisory Council as at the 2018-19 Budget, indexed by the CPI.

The administered expenses for Elements 2 and 3 were based on the specified capped funding in the proposal.

The departmental expenses for Element 1 were derived by scaling up the current staffing levels of the Prime Minister's Indigenous Advisory Council to the estimated staffing levels of the interdepartmental taskforce, adjusted by the net effect of wage cost index 3 and the efficiency dividend.

Departmental expenses for Elements 2 and 3 were based on the costs associated with the administration of other programs with similar-sized budgets and/or purpose.

Component 4

The administered expenses for Element 3 were calculated by multiplying the additional cost of the Transition to Independent Living Allowance per recipient by the projected number of Transition to Independent Living Allowance recipients. The number of recipients per year was projected by growing historical data on the actual number of recipients by average projected growth in the Australian population aged 15 to 25 as described above.

Departmental expenses for Element 1 were estimated based on the 2016-17 Budget measure *National Framework for Protecting Australia's Children – Third Action Plan 2015–18*, with the remainder of the specified capped funding going to administered expenses.

The departmental expenses for Element 2 were specified in the proposal.

Component 5

The administered expenses were based on the specified funding level of \$500 million in 2014-15 terms. This funding was indexed by the CPI to 2019-20 and divided by four to arrive at the specified funding for 2019-20. Funding amounts for years 2020-21 to 2022-23 were calculated by growing 2019-20 funding by the CPI.

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 26.07.2018].

Commonwealth of Australia, 2014. *2013-14 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2017. *2016-17 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2018. *2017-18 Budget*, Canberra: Commonwealth of Australia.

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

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

The Department of the Prime Minister and Cabinet provided the information and costing models related to the Prime Minister's Indigenous Advisory Council as at the 2018-19 Budget.

Department of Social Services, 2017. *Annual Report 2016-17*. [Online] Available at: https://www.dss.gov.au/sites/default/files/documents/10_2017/dss-annual-report-2016-17_mg.pdf [Accessed 13.07.2018].

Department of Social Services, 2018. *Annual Report 2017-18*. [Online] Available at: https://www.dss.gov.au/sites/default/files/documents/10_2018/dss_annual_report.pdf [Accessed 06.03.2019].

The Treasury provided demographic projections as at the 2019 Pre-election Economic and Fiscal Outlook.

Referendum Council, 2018. *Final Report of the Referendum Council*. [Online] Available at: www.referendumcouncil.org.au/final-report [Accessed 13.07.2018].

Attachment A – Reinstate Indigenous Affairs funding, and address selected First Nations issues – financial implications

Table A1: Reinstate Indigenous Affairs funding, and address selected First Nations issues – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
<i>Administered</i>					
<i>Component 1 – Establish a body to supervise agreement making</i>	-	-	-	-	-
<i>Component 2 – Establish a voice in Parliament</i>	-8	-	-	-	-8
<i>Component 3 – Address the high incarceration rates</i>	-16	-16	-16	-15	-64
<i>Component 4 – Reduce the number of First Nations children in out-of-home care</i>	-13	-13	-13	-13	-53
<i>Component 5 – Funding for First Nations people</i>	-139	-142	-145	-148	-573
<i>Component 6 – Funding for a pathway towards a treaty</i>	-	-	-	-	-
Total – administered	-176	-171	-174	-176	-698
<i>Departmental</i>					
<i>Component 1 – Establish a body to supervise agreement making</i>	-20	-15	-15	-	-50
<i>Component 2 – Establish a voice in Parliament</i>	-22	-	-	-	-22
<i>Component 3 – Address the high incarceration rates</i>	-6	-6	-6	-4	-22
<i>Component 4 – Reduce the number of First Nations children in out-of-home care</i>	-2	-1	-1	-1	-5
<i>Component 5 – Funding for First Nations people</i>	-18	-18	-18	-18	-72
<i>Component 6 – Funding for a pathway towards a treaty</i>	-17	-17	-17	-	-50
Total – departmental	-85	-57	-57	-23	-221
Total – expenses	-261	-228	-231	-199	-919

(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.



Policy costing

Abolish Income Management, Work for the Dole, and other measures	
Party:	Australian Greens
Summary of proposal: This proposal would abolish the following compulsory income support measures from 1 July 2019:	
<ul style="list-style-type: none">• Cashless Debit Card• Youth Jobs Prepare-Trial-Hire (PaTH) program• Work for the Dole• Community Development Program• ParentsNext• the following elements of the Income Management program:<ul style="list-style-type: none">– Conditional income management (Cape York)– Basics card– NT intervention/Stronger futures compulsory income measures– Place-based income management– Child protection measure– Vulnerable measure (social worker referrals)– Vulnerable measure (youth trigger).	

Costing overview

This costing would be expected to increase the fiscal and underlying cash balances by \$2,676 million over the 2019-20 Budget forward estimates period. This impact reflects a decrease in administered expenses of \$2,277 million and a decrease in departmental expenses of \$399 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.

The estimated financial implications of this proposal are sensitive to labour force projections, indexation growth factors, and growth in the number of eligible income support recipients over the 2019-20 Budget forward estimates period and the medium term. They are also sensitive to flow-on impacts on social security payments as a result of this proposal.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	633	725	658	659	2,676
Underlying cash balance	633	725	658	659	2,676

(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.

- Abolishing the Youth Jobs PaTH and Work for the Dole programs would not have ongoing departmental funding implications for the Department of Jobs and Small Business, as its contract management workload across the jobactive program (of which these programs are a part) is expected to remain largely unchanged.
- There are no flow-on impacts on other social security payments.

Methodology

As the budget baseline financial implications of the Cashless Debit Card are not-for-publication, the PBO has formed its own estimate of the savings expected from this program based on publicly available information, supported by advice from the Departments of Social Services, Human Services, and Finance. These figures are PBO estimates, and may not match the amounts reflected in the budget baseline.

Financial implications relating to the abolition of the Youth Jobs PaTH program and Work for the Dole were calculated using modelling provided by the Department of Jobs and Small Business. These implications include estimated termination costs, including decommissioning costs, contract severance fees and the delayed payment of entitlements to existing participants in each program.

Financial implications of the Community Development Program were estimated based on figures provided by the Department of the Prime Minister and Cabinet. Estimates for this program are indicative only and there may be additional redundancy, decommissioning and other costs associated with ceasing the 2018-19 Budget measure *Community Development Program – Reform* not reflected in these amounts. Any such costs are likely to be incurred in 2019-20 only.

All affected Income Management program elements have funding provisioned in the budget baseline until 30 June 2020. Costing estimates represent the reversal of these provisions. To isolate the saving due to the removal of compulsory income management, the total expenditure amount was reduced by the proportion of voluntary income management participants to all income management participants.

Consistent with the policy specification, the PBO has assumed that the abolition of the ParentsNext program would not have financial implications because any savings would be reinvested into other programs.

All estimates were rounded to the nearest \$1 million.

Data sources

Department of Social Services, 2018. *Income Management and Cashless Debit Card Summary (31 March 2018)*. Canberra: Department of Social Services. [Online] Available at: <https://data.gov.au/dataset/ds-dga-3b1f1fb7-adb5-48ea-8305-9205df0a298c/details> [Accessed 30.04.2019].

The Department of Jobs and Small Business provided the jobactive program's forward estimates model as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Social Services provided funding information for the 2018-19 Mid-Year Economic and Fiscal Outlook measure *Income Management – extension and consultation*.

The Department of the Prime Minister and Cabinet provided funding information for the Community Development Program, current as at 15 March 2019.

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

Attachment A – Abolish Income Management, Work for the Dole, and other measures – financial implications

Table A1: Abolish Income Management, Work for the Dole, and other measures – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
<i>Administered</i>					
<i>Cashless Debit Card</i>	38	52	3	..	93
<i>Youth Jobs PaTH program</i>	130	211	243	244	829
<i>Work for the Dole</i>	51	55	55	56	217
<i>Community Development Program</i>	283	283	285	287	1,138
<i>Income Management program</i>	..	-	-	-	..
Total – administered	502	601	586	587	2,277
<i>Departmental</i>					
<i>Cashless Debit Card</i>	25	53	1	..	80
<i>Youth Jobs PaTH program</i>	-13	-	-	-	-13
<i>Work for the Dole</i>	-12	-	-	-	-12
<i>Community Development Program</i>	71	71	71	72	284
<i>Income Management program</i>	60	-	-	-	60
Total – departmental	131	124	72	72	399
Total – expenses	633	725	658	659	2,676

(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.



Policy costing

Reverse the Liberal Party's company tax cuts for large businesses	
Party:	Australian Greens
Summary of proposal: The proposal would apply a 30 per cent company tax rate to companies with a turnover of more than \$10 million per annum. The company tax rate would continue to phase down to 25 per cent as per the current legislated schedule for companies with a turnover of less than \$10 million per annum. The proposal would commence from the 2019-20 income year.	

Costing overview

The proposal would be expected to increase the fiscal balance by \$4,790 million and the underlying cash balance by \$4,840 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, this impact reflects an increase in revenue of \$4,980 million and an increase in administered expenses of \$190 million.

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

The proposal would not be expected to have an impact on departmental expenses as it would not significantly alter the work of administering the tax system.

There is a difference between the fiscal and underlying cash balance impacts due to a timing difference between when liabilities for refundable tax offsets are recognised and when they are paid.

The estimates for the proposal are highly sensitive to projections of the gross operating surplus for all companies, and to two key assumptions. These are the assumption that the proportion of after-tax income that would be paid as dividends would not change under the proposal, and the assumption that the proposal would be legislated in time for the Australian Taxation Office (ATO) to vary the instalments of early balancing companies.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	760	1,140	1,420	1,460	4,790
Underlying cash balance	790	1,150	1,430	1,460	4,840

(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.

- Legislation to implement the proposal would be passed in time for the ATO to vary the instalments for the 2019-20 income year.
- Total company income, deductions and offsets for all companies would grow in line with estimated growth in gross operating surplus for all companies.
- The number of companies liable to pay company tax in Australia would increase in line with historical growth in the number of companies liable to pay company tax in Australia.
- Companies would continue to pay the same proportion of their after-tax income as dividends, as there is limited information on how companies would change their behaviour.

Methodology

The impact of the proposal on company tax and dividend payments was calculated using a microsimulation model of company tax developed by the PBO. This model is current as at the 2019 Pre-election Economic and Fiscal Outlook for both policy and parameters. It is based on all companies included in the company tax data for the 2016-17 financial year.

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

Data sources

Australian Taxation Office provided company tax return data for 2016-17.

Australian Taxation Office, 2019. *Taxation Statistics 2016-17*.

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

Attachment A – Reverse the Liberal Party's company tax cuts for large businesses – financial implications

Table A1: Reverse the Liberal Party's company tax cuts for large businesses – 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
<i>Revenue</i>	790	1,180	1,480	1,520	1,620	1,710	1,830	1,930	2,040	2,150	2,260	4,980	18,510
<i>Refundable tax offset expense</i>	-30	-40	-60	-60	-70	-70	-70	-80	-80	-80	-80	-190	-710
Total	760	1,140	1,420	1,460	1,550	1,640	1,760	1,850	1,960	2,070	2,180	4,790	17,800

(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: Reverse the Liberal Party's company tax cuts for large businesses – 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
<i>Receipts</i>	790	1,180	1,480	1,520	1,620	1,710	1,830	1,930	2,040	2,150	2,260	4,980	18,510
<i>Refundable tax offset payments</i>	..	-30	-50	-60	-60	-70	-70	-70	-70	-80	-80	-140	-640
Total	790	1,150	1,430	1,460	1,560	1,640	1,760	1,860	1,970	2,070	2,180	4,840	17,870

(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.



Policy costing

Reverse income tax cuts that will turbocharge inequality	
Party:	Australian Greens
Summary of proposal: This proposal consists of seven components. <ul style="list-style-type: none">• 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 \$37,000 to \$45,000 from 1 July 2022.• Component 5: Do not proceed with the scheduled increase in the low income tax offset from a maximum of \$445 to a maximum of \$700 for taxable incomes up to \$66,667 from 1 July 2022.• Component 6: Decrease the upper threshold of the 32.5 per cent tax bracket from \$90,000 to \$87,000, to apply from 1 July 2018.• Component 7: Remove the low and middle income tax offset, to apply from 1 July 2018.	

Costing overview

This proposal would be expected to increase the fiscal and underlying cash balances by \$46,530 million over the 2019-20 Budget forward estimates period. This impact is entirely due to an increase in revenue.

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 around 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 the components in a different order would change the magnitude of individual components, but would not change the financial implications of the overall package.

There are some revenue risks related to Component 6 (decreasing the tax threshold from \$90,000 to \$87,000) as it would mean that some taxpayers would have debts in their 2018-19 income tax returns. This may have implications regarding the quantum and timing for the collection of revenue in 2019-20 for this component.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	8,000	8,200	8,300	22,030	46,530
Underlying cash balance	8,000	8,200	8,300	22,030	46,530

(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.

- Decreasing the upper threshold of the 32.5 per cent tax bracket from \$90,000 to \$87,000 and backdating this to 1 July 2018 would not have any revenue impact in 2018-19.
 - This is because the additional revenue would not be withheld through the pay-as-you-go withholding system in 2018-19, as it is not currently legislated. The revenue derived from this change would be received in the following year (2019-20) upon lodgement of individuals' 2018-19 tax return. Revenue would be withheld as usual from the 2019-20 income year.
 - Any tax debts would be paid in 2019-20.
- There would be no significant behavioural response in relation to 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 any adjustment to taxable income is likely to be small.
 - Studies indicate that some people will chose 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.

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.

Methodology

- The financial implications of the 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). These 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 for the 2018-19 Budget and 2019-20 Budget measures.³
- This modelling takes into account the timing of tax collections.
- Estimates for not proceeding with increases to the low income tax offset (Component 5) have been rounded to the nearest \$10 million. All other estimates have been rounded to the nearest \$100 million.

Data sources

- The ATO provided a 16 per cent sample of de-identified personal income tax and superannuation returns for the 2016-17 financial year.
- Treasury provided:
 - economic forecasts as at the 2019-20 Pre-election Economic and Fiscal Outlook
 - the model underpinning the 2018-19 Budget measure *Personal Income Tax Plan*
 - the model underpinning the 2019-20 Budget measure *Lower taxes for hard-working Australians: Building on the Personal Income Tax Plan*.
- HM Revenue and Customs, 2012. *The Exchequer effect of the 50 per cent additional rate of income tax*, London: HM Revenue and Customs.

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 the 2019-20 Budget measures, due to interaction between components.

Attachment A – Reverse income tax cuts that will turbocharge inequality – financial implications

Table A1: Reverse income tax cuts that will turbocharge inequality – 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													
<i>Component 1: Do not reduce marginal tax rate from 32.5 per cent to 30 per cent</i>	-	-	-	-	-	12,500	14,300	15,400	16,600	17,700	18,900	-	95,400
<i>Component 2: Do not remove 37 per cent tax bracket nor increase tax threshold from \$180,000 to \$200,000</i>	-	-	-	-	-	6,000	7,000	7,900	8,800	9,600	10,600	-	49,900
<i>Component 3: Do not increase tax threshold from \$90,000 to \$120,000</i>	-	-	-	3,700	4,300	4,700	5,000	5,500	6,000	6,400	6,800	3,700	42,400
<i>Component 4: Do not increase tax threshold from \$37,000 to \$45,000</i>	-	-	-	9,700	10,900	11,300	11,600	12,000	12,400	12,700	13,100	9,700	93,800
<i>Component 5: Do not increase low income tax offset from \$445 to \$700</i>	-	-	-	130	680	670	660	650	630	610	590	130	4,620
<i>Component 6: Decrease the tax threshold from \$90,000 to \$87,000</i>	800	500	500	600	600	600	700	700	800	800	900	2,400	7,500
<i>Component 7: Remove the low and middle income tax offset</i>	7,200	7,700	7,800	7,900	400	-	-	-	-	-	-	30,600	30,900
Total	8,000	8,200	8,300	22,030	16,880	35,770	39,260	42,150	45,230	47,810	50,890	46,530	324,520

(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.



Policy costing

Increase Australia's humanitarian intake to 50,000 places a year, and related measures

Party:

Australian Greens

Summary of proposal:

This proposal has four components.

- Component 1: End offshore detention
 - This component would commence on 1 July 2019 and would:
 - ◆ abolish Australian funding for offshore detention centres, honouring all contractual commitments in place as at 1 March 2019
 - ◆ abolish the practice of removing unauthorised maritime arrivals in suspected illegal entry vessels from Australian waters ('boat turnbacks')
 - ◆ continue Navy operations and the current criminal penalties for operators of boats used for people smuggling
 - ◆ continue the defence in-depth operations to deter and disrupt people smuggling operations in neighbouring jurisdictions in the region, the strategic messaging campaigns, and the co-operative diplomatic dialogue and support
 - ◆ use existing onshore detention facilities and, if required, set up new facilities in, or near, domestic regional centres
 - ◆ establish a seven-day time limit on onshore immigration detention, contingent on the completion of health, character and security checks
 - ◆ preliminary checks would be completed in seven days, and within current budgets
 - ◆ for cases where red flags were raised through a preliminary check, or where the preliminary checks could not be completed within a week, a seven-day extension could be sought from the courts
 - ◆ deploy a robust independent inspectorate for all of Australia's detention centres
 - ◆ accommodate the majority of asylum seekers arriving by boat in community detention while claims are processed
 - ◆ abolish temporary protection visas.
- Component 2: Increase Australia's humanitarian intake
 - This component would increase Australia's annual humanitarian program to 50,000 places per year from 1 July 2019, exclusive of the quota for Community Support Program places. There would be no priorities or sub-quotas for applications from boat arrivals or offshore humanitarian migrants. If the annual quota was reached, people arriving by boat would be held in Australian immigration onshore detention facilities and processed in the following year.

- In addition, up to 10,000 additional places would be created under the Community Support Program, with the following arrangements.
 - ◆ The Commonwealth Government would cover visa processing costs.
 - ◆ The sponsor would provide travel and accommodation costs, food and living expenses, and would assist with employment opportunities. This employment assistance would replace any Commonwealth Government assistance.
 - ◆ The refugee would have access to the same services as entrants under the humanitarian intake, with these costs covered by the sponsor.
- The Humanitarian Settlement Services Program would be restored, replacing the existing Humanitarian Settlement Program.
 - ◆ The Humanitarian Settlement Program replaced the Humanitarian Settlement Services Program on 30 October 2017.
- Ensure adequate and appropriate training would be provided to departmental staff so they are equipped to appropriately assess applications from lesbian, gay, bisexual, transgender/gender diverse, intersex and queer (LGBTIQ+) people seeking asylum, and adequate training and guidelines would be provided to the Refugee Review Tribunal.
- Component 3: Additional funding to the United Nations High Commissioner for Refugees (UNHCR)
 - This component would provide \$500 million in funding to UNHCR offices in Indonesia and Malaysia, evenly distributed over four years from 1 July 2020, with the strategic aim of supporting multilateral efforts to stop boat departures and encourage asylum seekers to use existing UNHCR resettlement channels, in light of the increased humanitarian intake.
- Component 4: Royal Commission into the immigration detention system
 - This component would provide \$60 million in 2020-21 for a one-year Royal Commission into the immigration detention system.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$14,215 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of \$11,232 million and an increase in departmental expenses of \$3,383 million, partially offset by an increase in revenue of \$400 million relating to the increased humanitarian intake.

Components 1 and 2 of this proposal would have ongoing financial implications beyond the 2019-20 Budget forward estimates period. Component 3 would only have financial implications over the period from 2020-21 to 2023-24, and Component 4 would have financial implications in 2020-21 only.

A breakdown of the financial impacts of the proposal over the period from 2019-20 to 2029-30 is provided at [Attachment A](#).

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-1,110	-2,395	-4,365	-6,335	-14,215
Underlying cash balance	-1,110	-2,395	-4,365	-6,335	-14,215

(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 estimated financial implications for Component 1 are extremely sensitive to the assumptions around the number and costs relating to prospective asylum seekers arriving by boat. There is extremely high uncertainty around the number of asylum seekers arriving by boat under this proposal. For the purposes of estimating the financial implications of the policy, the Parliamentary Budget Office (PBO) estimated these numbers and the costs based on historical data, but the actual response could vary widely depending on domestic and international circumstances, which are either unforeseeable or extremely difficult to predict and incorporate into a policy costing. Historical data on asylum seekers arriving by boat may not provide an adequate guide on levels, trends and characteristics of potential asylum seekers arriving by boat in the future under this proposal, and the resources required for health and security vetting, in particular, are highly uncertain.

The estimated financial implications for Component 1 are highly sensitive to the assumption that the release of the bulk of detainees within seven days is feasible. If the annual number of asylum seekers arriving by boat were to be double the previous peak, for example, and the vast majority of these asylum seekers were to be held in detention for more than a week, the estimated financial implications of this proposal would more than double because this would require the construction of new detention facilities and a longer duration of detention.

The estimated financial implications of Component 1 are also sensitive to the costs of Australia's immigration detention policy under the baseline. In particular, the cost of offshore detention, and therefore some savings associated with the proposal, depends on the number of people in offshore detention. The fewer people there are in offshore detention under the baseline, the lower the saving from abolishing offshore detention, increasing the cost of this proposal, other things being equal.

The estimates for Component 2 are particularly sensitive to the use of relevant government services and welfare programs by the humanitarian migrants under this proposal. This is, in turn, sensitive to the assumption that the demographic and economic characteristics of people arriving by boat have similar characteristics to recent humanitarian migrants.

Key assumptions

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

- Required legislation would be passed by the Parliament prior to the proposed start dates.

Component 1: End offshore detention

- Under the baseline, no asylum seekers would arrive in Australia by boat and Australia's offshore detention centres would remain open over the period to 2029-30 with their current level of detainees.

- After the abolition of offshore detention and boat turnbacks, additional asylum seekers would arrive in Australia by boat.
 - The number of arrivals would be about half the previous historical peak of around 25,000 in the first year and would plateau at its previous peak from the second year.
 - Asylum seekers arriving by boat would be evenly distributed over the year.
- With some enhancements, current onshore detention facilities would have capacity to accommodate transferees from offshore detention and potential asylum seekers arriving by boat for the maximum specified onshore detention time of seven days.
 - About one-tenth of the detainees would be held for more than seven days for the completion of health, character or security checks.
 - Assuming the flow of boat arrivals would be evenly distributed over the year implies that there would be less than 2,000 arrivals in any week. This weekly flow is within the capacity of existing detention centres once their capacity is enhanced, so new facilities would not be required.
- The average administered cost per detainee would grow in line with wage cost index 5.
- Existing holders of temporary protection visas would be transferred to permanent protection visas upon abolition of temporary protection visas, with a minimal impact on the cost of the proposal.
 - This would result in an abolition of the Status Resolution Support Services program.
- The abolition of offshore detention and boat turnbacks under this proposal would not alter the need for, and associated expenses of, maritime surveillance of the Australian coastal waters, which would continue as per the specification.
- Existing funds would be redirected to support and enhance the function of the independent inspectorate.
 - The inspection of detention facilities is currently performed by the Commonwealth Ombudsman and potential additional costs for the enhancement of this function would not be material relative to the overall cost of the proposal.

Component 2: Increase Australia’s humanitarian intake

- Under the baseline, Australia’s Commonwealth Government-supported humanitarian intake would remain constant at 17,750 people per year.
- Under the baseline and the proposal, the average age profile of the annual humanitarian migrant intake would not change over the costing horizon.
- The proposed annual humanitarian intake of 50,000 people per year would be fully taken up.
- Additional community-sponsored places would have no material impact on the Commonwealth Government budget.
 - Fewer than half of the 1,000 places per year in the current Community Support Program were taken up in 2017-18.
- Additional asylum seekers arriving by boat would not exceed the annual humanitarian intake of 50,000 people per year under the policy.
- All of the people receiving status resolution support services would be granted permanent protection visas.
 - These cases would be absorbed within the annual humanitarian intake of 50,000 people.

- This would have an immaterial financial impact relative to the overall cost of this proposal.
- The cost of the proposed training and guidelines on LGBTIQ+ asylum seekers for departmental staff and the Refugee Review Tribunal would be met from within the existing resources of the Department of Home Affairs and the Department of Social Services.
- The average age profile of the offshore humanitarian intake from 2013-14 to 2017-18 would be applicable to all expenditure and revenue estimations for which age disaggregation is necessary.
- Humanitarian visas would be granted 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.

Component 4: Royal Commission into the immigration detention system

- Departmental expenses for the Royal Commission into the immigration detention system would be five per cent of the total funding, consistent with the funding profile of similar Royal Commissions.

Methodology

Component 1: End offshore detention

The financial implications of Component 1 were based on a combination of aggregate and unit costs for each key item of this component. These items are:

- ceasing some functions (about one-tenth) of Joint Agency Taskforce spending under Operation Sovereign Borders, with the vast majority of functions other than boat turnbacks to continue, as per the specification
- decommissioning offshore facilities
- transferring offshore detainees to Australia
- enhancing the operational capacity of onshore facilities
- operating onshore held and community detention.

Underlying estimates for each item under this component are PBO estimates derived from information provided by the Department of Home Affairs, and historical data on the number of asylum seekers arriving by boat and the costs associated with their management.

Behavioural responses resulting in an additional flow of asylum seekers arriving by boat under this proposal were modelled on the basis of historical data on asylum seekers arriving by boat prior to the introduction of the boat turnback policy. These estimates account for UNHCR information on the pool of potential asylum seekers and refugees in Australia's neighbouring regions.

Component 2: Increase Australia's humanitarian intake

The financial implications of Component 2 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 impact of restoring the Humanitarian Settlement Services Program by replacing the existing Humanitarian Settlement Program have been incorporated by adjusting the per person costs of these programs. This reduces the gross cost of this component by \$80 million over the 2019-20 Budget forward estimates period and around \$20 million per year ongoing.
- the average expected taxation revenue comprising excise, customs, and good and services tax, and the personal income tax and superannuation contributions tax that would be paid by employed humanitarian migrants.

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.

Component 3: Additional funding to the UNHCR

The financial implications of providing UNHCR funding are the specified annual funding amounts. Departmental expenses associated with administering this funding are not expected to be material and have not been included.

Component 4: Royal Commission into the immigration detention system

The financial implications of running a one-year Royal Commission in 2020-21 are the specified funding amount, split into administered and departmental expenses based on previous Royal Commissions.

All components

Administered expenses for Component 1 and Component 2 and revenue for Component 2 are rounded to the nearest \$100 million. Departmental expenses for Component 1 and Component 2 are rounded to the nearest \$10 million. All other figures are rounded to the nearest \$1 million.

Data sources

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

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

The Department of Home Affairs provided information on expenses relating to offshore and onshore detention of asylum seekers arriving by boat.

The Treasury provided information on revenue estimates for average humanitarian migrants.

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 hospital 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*.

The PBO consulted via telephone with Dr Violeta Moreno Lax, Queen Mary Law School, London on 09.01.2019 at the request of the Australian Greens.

- The PBO regularly consults with external experts in the course of preparing costing estimates and invites requesting parliamentarians to nominate experts, if desired. Discussions are acknowledged at the expert's request. As with all costing responses, the decisions on costing methodology and assumptions are the best professional judgement of the Parliamentary Budget Officer.

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United Nations High Commissioner for Refugees, 2018. *Population Statistics* [database]. [Online]
Available at: http://popstats.unhcr.org/en/time_series [Accessed 02.10.2018].

Attachment A – Increase Australia's humanitarian intake to 50,000 places a year, and related measures – financial implications

Table A1: Increase Australia's humanitarian intake to 50,000 places a year, and related measures – 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													
<i>Component 2: Increase humanitarian intake</i>	..	100	100	200	200	300	400	500	500	600	700	400	3,600
Total – revenue	-	100	100	200	200	300	400	500	500	600	700	400	3,600
Expenses													
<i>Administered</i>													
<i>Component 1 : End offshore detention</i>	-300	-600	-1,500	-2,500	-2,500	-2,500	-2,600	-2,600	-2,700	-2,700	-2,800	-4,900	-23,300
<i>Component 2: Increase humanitarian intake</i>	-600	-1,200	-1,800	-2,300	-2,900	-3,400	-4,000	-4,500	-5,100	-5,400	-5,500	-5,900	-36,800
<i>Component 3: UNHCR funding</i>	-	-125	-125	-125	-125	-	-	-	-	-	-	-375	-500
<i>Component 4: Royal Commission</i>	-	-57	-	-	-	-	-	-	-	-	-	-57	-57
Total – administered	-900	-1,982	-3,425	-4,925	-5,525	-5,900	-6,600	-7,100	-7,800	-8,100	-8,300	-11,232	-60,657
<i>Departmental</i>													
<i>Component 1 : End offshore detention</i>	-160	-460	-980	-1,540	-1,570	-1,600	-1,630	-1,660	-1,680	-1,710	-1,740	-3,140	-14,740
<i>Component 2: Increase humanitarian intake</i>	-50	-50	-60	-70	-80	-80	-90	-90	-90	-90	-90	-240	-850
<i>Component 3: UNHCR funding</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 4: Royal Commission</i>	-	-3	-	-	-	-	-	-	-	-	-	-3	-3
Total – departmental	-210	-513	-1,040	-1,610	-1,650	-1,680	-1,720	-1,750	-1,770	-1,800	-1,830	-3,383	-15,593
Total – expenses	-1,110	-2,495	-4,465	-6,535	-7,175	-7,580	-8,320	-8,850	-9,570	-9,900	-10,130	-14,615	-76,250
Total	-1,110	-2,395	-4,365	-6,335	-6,975	-7,280	-7,920	-8,350	-9,070	-9,300	-9,430	-14,215	-72,650

(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.



Policy costing

Clear the parent visa backlog within three years and then cap waiting times to twelve months	
Party:	Australian Greens
Summary of proposal: This proposal would clear the current backlog within three years and then cap wait times at 12 months for the following parent visas: <ul style="list-style-type: none">• parent (subclass 103)• contributory parent (subclass 143)• aged parent (subclass 804)• contributory aged parent (subclass 864). No applications for parent visas would be able to be lodged until the backlog is cleared. The additional visas granted would not be subject to the annual migration cap. The proposal would commence from 1 July 2019.	

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by \$250 million over the 2019-20 Budget estimates period. This impact reflects an increase in revenue of \$1,100 million, an increase in administered expenses of \$1,300 million, and an increase in departmental expenses of \$50 million.

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 provided at [Attachment A](#).

There is a small difference between the fiscal and underlying cash balance impacts due to a timing difference between when tax liabilities are recognised and when taxes are collected. This difference does not show in the estimates after rounding.

The proposal would be expected to increase departmental expenses for the Department of Home Affairs, the Department of Human Services, the Department of Social Services, and the Department of Education.

This costing is subject to considerable uncertainty around the projected number of applications for parent visas and any behavioural response by prospective visa applicants. The costing estimates are also sensitive to the use of relevant government services and welfare programs by parent visa holders, as well as their levels of taxable income and consumption. The cost of the proposal would increase significantly beyond the medium term as parent visa holders would become eligible for the age pension 10 years after their arrival in Australia.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	80	70	-40	-370	-250
Underlying cash balance	80	70	-40	-370	-250

(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.

Visa processing and grants

- Visas would be processed evenly throughout each year.
- All prospective applicants for contributory parent visas (subclass 143 and subclass 864) would apply for the much cheaper parent (subclass 103) or aged parent (subclass 804) visas once applications for visas re-open after the backlog has been cleared.
 - In addition, around 28 per cent of the current stock of contributory parent visa applicants would withdraw their applications and re-apply for the cheaper parent visa once visa application re-opens after the backlog is cleared.
- The total number of applications for parent visas would increase to 20,000 per year under the proposal, based on historical data.
- As no visa applications would be accepted until the backlog is cleared, visa applications that would otherwise have been received would occur in the year following the end of the backlog clearance period.
 - This leads to a very large increase in the number of visa applications lodged in 2023-24.
- Around 12 per cent of applications for parent visas would not be granted based on historical data.
- The annual mortality rate of applicants and holders of parent visas by age group would be equal to that of the current Australian population.

Expenditure

- Once holders of parent visas have served any relevant waiting period that applies to newly arrived residents, they would claim Commonwealth Government services and transfers to which permanent residents are entitled in the same proportion as current Australian residents with similar incomes, ages and backgrounds.
 - These services and transfers include the Medicare Benefits Schedule, Pharmaceutical Benefits Scheme, income support payments, translation services provided by the Department of Social Services, and English language programs funded by the Department of Education and Training.
 - The waiting period for most income support payments and the Commonwealth Seniors Health Card is currently four years for permanent residents arriving after 1 January 2019. There is a 10-year waiting period for the age pension, for which newly arrived parent visa holders will start to become eligible just beyond the time period costed.

- An increased number of Commonwealth Government funded aged care places would become available because the proposal would result in a higher number of Australian residents over age 70.
 - The number of available Commonwealth Government funded aged care places are calculated as a fixed ratio of the population aged over 70. These additional places may not be used by the additional parent visa holders themselves, but their presence in the population will cause additional places to be created.

Revenue

- The profile of newly arrived holders of parent visas in regard to taxable incomes and consumption of products liable for indirect taxation (such as goods and services tax (GST) or fuel excise) would be similar to that of existing parent visa holders, once adjusted for inflation.

Methodology

The financial impacts of the proposal were calculated based on estimated average expenses and revenue per eligible parent visa holder, and the estimated number of additional permanent residents.

The estimates of additional permanent residents for each year were calculated based on the costing specifications and the above assumptions.

The estimated impacts on direct and indirect revenue, GST payments to states and territories and all other administered expenses were based on the assumptions outlined above and the average costs of Commonwealth Government services and transfers to which permanent residents have access.

The estimated impact on revenue also includes the change in revenue from visa application charges that would arise as a result of the proposal.

Departmental expense estimates were calculated based on historical migration intake measure models provided by the respective departments.

Revenue and administered expense estimates have been rounded to the nearest \$100 million. Payments of GST to states and territories and departmental expense estimates have been rounded to the nearest \$10 million.

Data sources

The Department of Home Affairs provided data on the current stock of on-hand visa applications, the cost of processing each parent visa, the age profile of parent category visa applicants, and the projections of lodgements and grants of each parent visa subclass.

The Treasury provided data on expected revenue from new residents by visa subclasses.

The Department of Health provided data on aged care and Pharmaceutical Benefits Scheme expenses.

The Department of Education and Training provided data on the English language education expenses of each new resident.

The Department of Social Services provided detailed data on average welfare benefits expenses for current Australian residents.

Australian Bureau of Statistics, 2019. *Deaths, Year of occurrence, Age at death, Age-specific death rates, Sex, States, Territories and Australia*. [Online] Available at http://stat.data.abs.gov.au/Index.aspx?DatasetCode=DEATHS_AGESPECIFIC_OCCURENCEYEAR# [Accessed April 2019].

Department of Health, 2017-18. *Annual Medicare Statistics*. [Online] Available at <http://www.health.gov.au/internet/main/publishing.nsf/Content/Annual-Medicare-Statistics> [Accessed April 2019].

Department of Home Affairs, 2019. *Fees and charges for visas*. [Online] Available at <https://immi.homeaffairs.gov.au/visas/getting-a-visa/fees-and-charges/current-visa-pricing/live> [Accessed April 2019].

Department of Social Services, 2018. *DSS Payment Demographic Data*. [Online] Available at <https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details?q=DSS> [Accessed April 2019].

Attachment A – Clear the parent visa backlog within three years and then cap waiting times to twelve months – financial implications

Table A1: Clear the parent visa backlog within three years and then cap waiting times to twelve months – 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													
Total – revenue	200	300	300	300	100	100	200	200	200	300	300	1,100	2,600
Expenses													
<i>Administered</i>													
<i>GST payments to states</i>	-10	-20	-30	-50	-100	-100	-110	-130	-140	-150	-170	-100	-1,010
<i>Other administered expenses</i>	-100	-200	-300	-600	-900	-1,200	-1,400	-1,700	-2,200	-2,500	-2,800	-1,200	-14,000
Total – administered	-110	-220	-330	-650	-1,000	-1,300	-1,510	-1,830	-2,340	-2,650	-2,970	-1,300	-15,010
<i>Departmental expenses</i>	-10	-10	-10	-20	-30	-20	-20	-30	-30	-40	-40	-50	-270
Total – expenses	-120	-230	-340	-670	-1,030	-1,320	-1,530	-1,860	-2,370	-2,690	-3,010	-1,350	-15,280
Total	80	70	-40	-370	-930	-1,220	-1,330	-1,660	-2,170	-2,390	-2,710	-250	-12,680

- (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.



Policy costing

Fund anti-racism campaign, introduce a Multicultural Act and establish a Multicultural Commission

Party:

Australian Greens

Summary of proposal:

This proposal has ten components.

- Component 1: Provide \$10 million per year (unindexed) in ongoing grant funding to support community-led programs to counter violent extremism.
 - Departmental costs would be met from within this capped amount.
- Component 2: Extend the current National Anti-Racism Strategy delivered by the Australian Human Rights Commission by providing \$12 million per year to community organisations for programs to create awareness of racism and empower communities to prevent it.
 - This funding would be ongoing and would be indexed by the consumer price index.
- Component 3: Establish an independent Commonwealth Government Multicultural Commission with ongoing funding of \$3.5 million per year, indexed by the consumer price index.
- Component 4: Require all non-corporate Commonwealth entities to report annually to the newly established Commonwealth Government Multicultural Commission in Component 3.
 - Entities would report on action taken to promote multiculturalism, the use of interpreting and translating services, and the extent to which people from diverse backgrounds were represented on boards and committees.
 - All costs for this reporting, including departmental expenses incurred by the reporting entities, would be met from within the capped funding for the Commission.
- Component 5: Provide \$98.2 million over five years to fund multidisciplinary academic research into domestic extremism. Departmental costs would be met from within this capped amount. The funding would include:
 - \$1.4 million over the period 2019-20 to 2023-24 for the Online Hate Prevention Institute to continually update, maintain and expand its Fight Against Hate online system
 - \$6.0 million over the period 2019-20 to 2022-23 for the Australian Intervention Support Hub.
- Component 6: Establish a national database on hate crimes with once-off total funding of \$10 million.
 - The Commonwealth Government would fund \$5 million and the remainder would be provided by the states and territories.
- Component 7: Ban political donations by firearms and ammunition retailers, manufacturers, recreational associations and peak bodies, and prohibit the possession and use of semi-automatic guns in the community.

- Component 8: Initiate a Senate Inquiry through an existing Senate Committee to review the Commonwealth Government’s response to breaches of the National Firearms Agreement.
- Component 9: Create a Commonwealth Parliamentary Code of Conduct to prevent hate speech by politicians, and add hate speech to the *Criminal Code Act 1995*.
- Component 10: Introduce a Charter of Rights in Australia.

The proposal would have effect from 1 July 2019.

Costing overview

This proposal would be expected to decrease both the fiscal balance and underlying cash balance by \$187.8 million over the 2019-20 Budget forward estimates period. This reflects an increase in administered expenses of \$113.3 million and an increase in departmental expenses of \$74.5 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.

The financial implications for all components except Component 7 are entirely or reasonably certain.

- Components 1 to 6 are either capped amounts or are estimated based on similar-sized programs.
- Components 8 to 10 would not have any material financial implications for the Commonwealth Government.

The financial implications of Component 7, which includes banning political donations from firearms-related groups, are subject to a high degree of uncertainty. Any enabling legislation could be subject to legal challenges, and associated costs to the Commonwealth are uncertain but potentially substantial. Consistent with the budget treatment of potential legal challenges, however, a provision for legal expenses is not included in the financial implications, as funds are allocated only when it is clear that a financial liability would be incurred. As such, this component is estimated to have no financial impact.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-50.2	-45.6	-46.0	-46.4	-187.8
Underlying cash balance	-50.2	-45.6	-46.0	-46.4	-187.8

(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.

Component 8

- The Senate Inquiry into the Commonwealth Government's response to breaches of the National Firearms Agreement would not have any financial implications as it would be part of normal Committee operations.

Components 9 and 10

- There would be no material financial costs to the Commonwealth Government associated with implementing these legislative components.

Methodology

Components 1, 2, 3, 5 and 6

Financial implications are equal to the specified capped amounts. Where relevant, departmental estimates to administer the components were based on similar-sized grant programs.

Component 4

The financial implications were estimated based on the expected staffing requirement to compile the required annual reports for each non-corporate Commonwealth entity. As per the specification, the costs to non-corporate Commonwealth entities associated with compiling reports for Component 4 have been subtracted from the funding allocated in Component 3 to the Multicultural Commission.

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

Data sources

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

Attachment A – Fund anti-racism campaign, introduce a Multicultural Act and establish a Multicultural Commission – financial implications

Table A1: Fund anti-racism campaign, introduce a Multicultural Act and establish a Multicultural Commission – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Component 1 – Grant funding to counter violent extremism					
<i>Administered</i>	-8.8	-9.4	-9.4	-9.4	-37.0
<i>Departmental</i>	-1.2	-0.6	-0.6	-0.6	-3.0
Total – Component 1	-10.0	-10.0	-10.0	-10.0	-40.0
Component 2 – Extend the current National Anti-Racism Strategy					
<i>Administered</i>	-	-	-	-	-
<i>Departmental</i>	-12.0	-12.3	-12.6	-12.9	-49.7
Total – Component 2	-12.0	-12.3	-12.6	-12.9	-49.7
Component 3 – Establish an independent Commonwealth Government Multicultural Commission					
<i>Administered</i>	-	-	-	-	-
<i>Departmental</i>	-2.9	-3.0	-3.1	-3.2	-12.3
Total – Component 3	-2.9	-3.0	-3.1	-3.2	-12.3
Component 4 – Annual reporting on multiculturalism initiatives					
<i>Administered</i>	-	-	-	-	-
<i>Departmental</i>	-0.6	-0.6	-0.6	-0.6	-2.2
Total – Component 4	-0.6	-0.6	-0.6	-0.6	-2.2
Component 5 – Fund academic research into domestic extremism					
<i>Administered</i>	-19.1	-19.1	-19.1	-19.1	-76.3
<i>Departmental</i>	-0.6	-0.6	-0.6	-0.6	-2.3
Total – Component 5	-19.7	-19.7	-19.7	-19.7	-78.6
Component 6 – Establish a national database on hate crimes					
<i>Administered</i>	-	-	-	-	-
<i>Departmental</i>	-5.0	-	-	-	-5.0
Total – Component 6	-5.0	-	-	-	-5.0
Component 7 – Ban political donations by firearms and ammunition retailers, manufacturers, recreational associations and peak bodies, and prohibit the possession and use of semi-automatic guns in the community					
<i>Administered</i>	-	-	-	-	-
<i>Departmental</i>	-	-	-	-	-
Total – Component 7	-	-	-	-	-
Component 8 – Initiate a Senate Inquiry to review the Commonwealth Government’s response to breaches of the National Firearms Agreement					
<i>Administered</i>	-	-	-	-	-
<i>Departmental</i>	-	-	-	-	-
Total – Component 8	-	-	-	-	-

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Component 9 – Create a Code of Conduct to prevent hate speech by politicians, and add hate speech to the <i>Criminal Code Act 1995</i>					
<i>Administered</i>	-	-	-	-	-
<i>Departmental</i>	-	-	-	-	-
Total – Component 9	-	-	-	-	-
Component 10 – Introduce a Charter of Rights					
<i>Administered</i>	-	-	-	-	-
<i>Departmental</i>	-	-	-	-	-
Total – Component 10	-	-	-	-	-
Total – expenses	-50.2	-45.6	-46.0	-46.4	-187.8

- (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.



Policy costing

50,000 additional home care packages and \$3 billion for increased hours of care

Party:

Australian Greens

Summary of proposal:

- Component 1 – Progressively increase the number of places under the Home Care Packages Program over time, as follows:
 - 15,000 Level 3 and 15,000 Level 4 packages would be added in the proposal’s first year
 - 5,000 Level 3 and 5,000 Level 4 packages would be added in the proposal’s second year
 - 5,000 Level 3 and 5,000 Level 4 packages would be added in the proposal’s third year.These changes would mean that a total of 50,000 additional ongoing packages would be provided from the third year of the proposal.
- Component 2 – Provide capped funding of \$3 billion evenly over four years into a fund that would contribute to meeting the cost of:
 - increasing pay for aged care workers by 15 per cent over three years
 - increasing the hours of care provided to each patient per day to four hours and eighteen minutes
 - increasing staff-to-patient ratios to ensure an adequate level of care, including a minimum of one registered nurse rostered 24 hours per day, seven days per week
 - monitoring mandatory reporting on the use of chemical and physical restraints in aged care facilities
 - conducting a full independent review of the Aged Care Funding Instrument.

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 \$9,301 million over the 2019-20 Budget forward estimates period. This impact is largely due to an increase in administered expenses. A relatively small amount of departmental expenses was included to administer the fund. Given the exact nature of the mandatory reporting and review are unknown, a proportion of the fund that the Parliamentary Budget Office (PBO) has assumed to be administered expenditure could ultimately be departmental expenditure instead.

The proposal would be expected to have an ongoing 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 to administer funding for the increased number of home care packages would not be expected to be significant and have not been included. This is because the cost of managing people receiving Level 3 and Level 4 packages is expected to be similar to the cost of managing people waiting in the queue to receive these packages. Departmental expenses were included to implement Component 2 of the proposal.

The estimated financial implications of this proposal are based on administrative data on the average cost of a home care package, sourced from the Department of Health.

The estimates are sensitive to uptake and service utilisation assumptions, which are based on the current operation of the program. The PBO has not undertaken an assessment as to whether the capped funding under Component 2 of the proposal would be sufficient to achieve the specifically listed objectives.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-1,840	-2,217	-2,607	-2,636	-9,301
Underlying cash balance	-1,840	-2,217	-2,607	-2,636	-9,301

(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.

- All new Level 3 and Level 4 packages would be taken up as soon as they become available by eligible recipients currently on the national package queue to receive these packages.
- All new Level 3 and Level 4 packages would be used for the same number of days each year as current Level 3 and Level 4 packages.

Methodology

Administered expense estimates for the additional packages were calculated by multiplying the increased number of packages each year by the expected average cost of a Level 3 or Level 4 package in that year. Administered expenses for Component 2 of the proposal reflect the specified capped funding amount.

Departmental expense estimates reflect the PBO’s judgement on what it would cost to administer the fund under Component 2 of the proposal.

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

Data sources

The Department of Health provided the home care estimates model as at the 2019 Pre-election Economic and Fiscal Outlook.

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

Attachment A – 50,000 additional home care packages and \$3 billion for increased hours of care – financial implications

Table A1: 50,000 additional home care packages and \$3 billion for increased hours of care – 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													
<i>Component 1 – Additional Level 3 home care packages</i>	-411	-554	-702	-713	-726	-735	-747	-758	-772	-782	-793	-2,380	-7,692
<i>Component 1 – Additional Level 4 home care packages</i>	-676	-910	-1,153	-1,171	-1,199	-1,215	-1,233	-1,252	-1,275	-1,291	-1,311	-3,910	-12,686
<i>Component 2 – Capped funding</i>	-750	-750	-750	-750	-	-	-	-	-	-	-	-3,000	-3,000
Total – administered	-1,837	-2,214	-2,605	-2,634	-1,925	-1,950	-1,980	-2,010	-2,047	-2,073	-2,104	-9,290	-23,378
Departmental													
<i>Component 2 – Capped funding</i>	-3	-3	-2	-2	-	-	-	-	-	-	-	-11	-11
Total – departmental	-1,840	-2,217	-2,607	-2,636	-1,925	-1,950	-1,980	-2,010	-2,047	-2,073	-2,104	-9,301	-23,389
Total – expenses	-1,840	-2,217	-2,607	-2,636	-1,925	-1,950	-1,980	-2,010	-2,047	-2,073	-2,104	-9,301	-23,389

- (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.



Policy costing

National Disability Insurance Scheme proposals, connect people and the internet, and inclusive education and employment

Party:

Australian Greens

Summary of proposal:

This proposal has nine components which will take effect from 1 July 2019.

- Component 1: Remove staffing caps on the National Disability Insurance Agency for the delivery of the National Disability Insurance Scheme (NDIS).
- Component 2: Provide \$400 million over four years to fast track the process of making public transport more accessible.
- Component 3: Provide \$1,005 million over four years to establish a new Accessible Infrastructure Fund (\$1 billion over four years) and a new Accessible Nature Fund (\$5 million over four years) available to state and local governments to retrofit existing public places and infrastructure to accessibility standards, and increase access to nature and tourism activities for people with disabilities.
- Component 4: Provide funding and regulatory requirements for advance captioning and audio description (\$25 million), relay and translation services (return funding levels to \$32 million per year), and access to Auslan (\$1 million per year).
- Component 5: Provide \$1.49 million over two years, followed by ongoing annual funding of \$2 million indexed by the consumer price index, to establish a National Disability Telecommunications Service, a national resource for communications product and services information, training, and support.
- Component 6: Provide funding for inclusive education training and upskilling for principals, teachers and university lecturers with the following elements.
 - Element 1: provide funding for a one-semester unit covering inclusive education in all tertiary teacher training.
 - Element 2: provide \$400 million over four years to train existing primary teachers, secondary teachers and principals.
- Component 7: Set a 15 per cent target for full employment representation of employees with a disability in the Australian Public Service by 2030, to ensure Australia meets its international human rights obligations.
- Component 8: Increase Commonwealth funding for disability advocacy bodies by \$15 million over four years.
- Component 9: Establish a safe, dedicated online platform for the promotion of discussion, debate, and cultural development within the disability community.

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by \$2,055.6 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of \$2,045.6 million and departmental expenses of \$10.0 million.

This proposal would have an ongoing impact beyond the 2019-20 Budget forward estimates period. A breakdown of the financial implications from 2019-20 to 2029-30 is at [Attachment A](#).

The financial implications for Component 1 are sensitive to the actual cost differential between employing an Australian Public Service (APS) employee and a contractor. There are also uncertainties associated with the timeframe and extent to which APS employees would be substituted for contractors under the proposal. The Parliamentary Budget Office (PBO) has not made an assessment of how this proposal would affect the rollout and performance of the NDIS.

The financial implications for Element 1 of Component 6 are sensitive to the estimated number of future graduates of tertiary teaching courses, and the estimated cost of undertaking inclusive education training.

In relation to the components of this proposal where funding was proposed as specified capped amounts, the PBO has not assessed whether this amount would be sufficient to deliver the specified outcome.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-524.0	-508.2	-511.0	-512.8	-2,055.6
Underlying cash balance	-524.0	-508.2	-511.0	-512.8	-2,055.6

(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.

Component 1

- Any potential staffing shift from contractors to APS employees would occur as required over the course of the delivery of the NDIS.

Component 6

- All new teachers would undertake inclusive education training as part of their university studies.
- The \$400 million capped amount in Element 2 would be split evenly over the four-year period.
- The training would be able to be completed without back-filling teaching positions.

Methodology

The financial impacts of Components 2, 3, 4, 5, 8 and 9 are the specified capped amounts.

The administered expense estimates for Element 1 of Component 6 were calculated by multiplying the estimated cost of undertaking a one-semester unit in inclusive education by the estimated number of tertiary teaching graduates.

- The estimated cost of undertaking a one-semester unit in inclusive education was based on the 2018 domestic tuition fees for an existing inclusive education course, indexed by the consumer price index.

The administered expenses for Element 2 of Component 6 reflect the specified funding amount.

For Component 7, setting a full employment target of 15 per cent by 2030 has been considered to have no financial implications, and any costs related to workplace adjustments for new employees will be met within existing departmental funding.

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.

Department of Education and Training, *Selected Higher Education Statistics* [Online]

Available at: <https://www.education.gov.au/selected-higher-education-statistics-2017-student-data> [Accessed 06.04.2019].

2018 Domestic Tuition Fees. [Online] Available at:

https://students.curtin.edu.au/wp-content/uploads/sites/6/2018/06/2018_tuitionfeeDom.pdf [Accessed 25.07.2018].

Australian Public Service Commission 2017, *APSC Statistical Bulletin 2016-17*, Australian Public Service Commission, Canberra.

Encyclopaedia of Disability 2006, Vol. 1, ed. Sage Publications, United Kingdom, pp. 585.

Australian Network on Disability, 2016. *Sharing and Monitoring Disability Information in your Workforce: A Guide for Employers*, Australian Disability Network, Sydney.

Job Accommodation Network, 2017. *Workplace accommodations: Low cost, high impact*, Job Accommodation Network, Office of Disability Employment Policy, Washington DC.

The Departmental of Social Services provided information on the Employment Assistance Fund.

Attachment A – National Disability Insurance Scheme proposals, connect people and the internet, and inclusive education and employment – financial implications

Table A1: National Disability Insurance Scheme proposals, connect people and the internet, and inclusive education and employment – 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													
<i>Administered</i>													
<i>Component 1: Remove staffing caps on the National Disability Insurance Agency</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 2: Increase funding to make public transport more accessible</i>	-100.0	-100.0	-100.0	-100.0	-	-	-	-	-	-	-	-400.0	-400.0
<i>Component 3: Establish an Accessible Infrastructure Fund and Accessible Nature Fund</i>	-251.3	-251.3	-251.3	-251.3	-	-	-	-	-	-	-	-1,005.0	-1,005.0
<i>Component 4: Provide funding for advance captioning, audio description, relay and translation services, and access to Auslan</i>	-18.3	-11.0	-11.0	-11.0	-11.0	-11.0	-11.0	-11.0	-11.0	-11.0	-11.0	-51.3	-128.3
<i>Component 5: Establish a National Disability Telecommunications Service</i>	-0.7	-0.7	-2.0	-2.1	-2.1	-2.2	-2.2	-2.3	-2.3	-2.4	-2.4	-5.5	-21.4
<i>Component 6: Provide funding for inclusive education training and upskilling for principals, primary, secondary and tertiary teachers</i>	-139.5	-141.0	-142.5	-144.2	-46.0	-47.8	-49.7	-51.7	-53.7	-55.8	-58.0	-567.3	-929.8
<i>Component 7: Improve the representation of employees with a disability in the Australian Public Service</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 8: Increase Commonwealth funding for disability advocacy bodies</i>	-3.8	-3.8	-3.8	-3.8	-	-	-	-	-	-	-	-15.0	-15.0
<i>Component 9: Establish an online platform for the promotion of discussion, debate, and cultural development within the disability community</i>	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-1.5	-4.1
Total – administered	-514.0	-508.2	-511.0	-512.8	-59.5	-61.4	-63.3	-65.4	-67.4	-69.6	-71.8	-2,045.6	-2,503.6
<i>Departmental</i>													
<i>Component 1: Remove staffing caps on the National Disability Insurance Agency</i>	..	..	..	..	..	..	..	..	..	..	..	..	..
<i>Component 2: Increase funding to make public transport more accessible</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 3: Establish an Accessible Infrastructure Fund and Accessible Nature Fund</i>	-	-	-	-	-	-	-	-	-	-	-	-	-

	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
<i>Component 4: Provide funding for advance captioning, audio description, relay and translation services, and access to Auslan</i>	-10.0	-	-	-	-	-	-	-	-	-	-	-10.0	-10.0
<i>Component 5: Establish a National Disability Telecommunications Service</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 6: Provide funding for inclusive education training and upskilling for principals, primary, secondary and tertiary teachers</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 7: Improve the representation of employees with a disability in the Australian Public Service</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 8: Increase Commonwealth funding for disability advocacy bodies</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 9: Establish an online platform for the promotion of discussion, debate, and cultural development within the disability community</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – departmental	-10.0	..	..	..	..	..	..	..	..	..	..	-10.0	-10.0
Total	-524.0	-508.2	-511.0	-512.8	-59.5	-61.4	-63.3	-65.4	-67.4	-69.6	-71.8	-2,055.6	-2,513.6

- (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.
- .. Not zero but rounded to zero.
 - Indicates nil.



Policy costing

Green climate finance for developing countries, and increase funding for overseas development assistance

Party: Australian Greens

Summary of proposal:

This proposal has three components.

- Component 1: Increase Official Development Assistance aid funding annually from 2019-20 on a linear trajectory, in order to reach 0.7 per cent of gross national income by 2029-30.
- Component 2: Provide Official Development Assistance climate finance funding of \$1,320 million in 2019-20, and \$1,600 million ongoing from 2020-21. This amount is additional to the funding increase in Component 1.
- Component 3: Establish an independent government agency to oversee Australia's aid budget and reinstate a Minister for International Development and the Pacific.

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 \$22,453 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of \$21,180 million and departmental expenses of \$1,273 million over this period.

This proposal would be expected to have an ongoing impact 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 financial implications of this proposal are sensitive to changes in gross national income projections.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-2,917	-4,893	-6,547	-8,096	-22,453
Underlying cash balance	-2,917	-4,893	-6,547	-8,096	-22,453

(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 for Component 1 represent the difference between:

- the baseline funding amounts for Official Development Assistance, which is to be maintained at \$4.0 billion per year, then indexed by the consumer price index from 2022-23
- the proposed funding arrangements, which would see funding as a proportion of gross national income grow from 0.2 per cent in 2018-19 to 0.7 per cent by 2029-30.

The financial implications for Component 2 represent the specified amounts.

Departmental costs for Component 3 were estimated based on the cost of similar agencies/roles.

Estimated departmental expenses required to administer the proposal are based on historical departmental cost data for similar proposals and international comparisons of the cost of operating large Official Development Assistance programs.

Administered expenses have been rounded to the nearest \$10 million. Departmental expenses have been rounded to the nearest \$1 million.

Data sources

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

The Department of Finance provided economic parameters as at the 2019-20 Budget.

The Department of the Treasury provided Official Development Assistance estimates as at the 2019-20 Budget.

Attachment A – Green climate finance for developing countries, and increase funding for overseas development assistance – financial implications

Table A1: Green climate finance for developing countries, and increase funding for overseas development assistance – 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													
<i>Administered</i>													
<i>Official Development Assistance – aid</i>	-1,420	-3,010	-4,580	-6,050	-7,520	-8,990	-10,470	-11,950	-13,430	-14,910	-16,390	-15,060	-98,700
<i>Official Development Assistance – climate finance</i>	-1,320	-1,600	-1,600	-1,600	-1,600	-1,600	-1,600	-1,600	-1,600	-1,600	-1,600	-6,120	-17,320
Total – administered	-2,740	-4,610	-6,180	-7,650	-9,120	-10,590	-12,070	-13,550	-15,030	-16,510	-17,990	-21,180	-116,020
<i>Departmental</i>													
<i>Department of Foreign Affairs and Trade</i>	-177	-283	-367	-446	-520	-590	-655	-716	-773	-825	-874	-1,273	-6,226
Total – departmental	-177	-283	-367	-446	-520	-590	-655	-716	-773	-825	-874	-1,273	-6,226
Total – expenses	-2,917	-4,893	-6,547	-8,096	-9,640	-11,180	-12,725	-14,266	-15,803	-17,335	-18,864	-22,453	-122,246

- (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.



Policy costing

End corporate tax avoidance through artificial debt shifting into low-taxing jurisdictions	
Party:	Australian Greens
Summary of proposal: This proposal would change the thin capitalisation rules by removing the 'safe harbour' and 'arm's length' debt tests, leaving only the 'worldwide gearing' debt test. The proposal would have effect for income years starting from 1 July 2019.	

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by \$720 million over the 2019-20 Budget forward estimates period. This impact entirely reflects an increase in company tax revenue.

A breakdown of the financial implications of the proposal over the 2019-20 Budget forward estimates period has been 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 subject to 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 Australian Taxation Office (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 proposal 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 proposal as the compliance activities of the taskforce may affect some of the behavioural responses. However, the magnitude and timing of the interaction effect are too uncertain to be estimated in this costing.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-	250	230	230	720
Underlying cash balance	-	250	230	230	720

(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.

- 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 gearing ratio 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 proposal. This would reduce the revenue raised by 10 per cent after the first year of the proposal 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 had 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 (PAYG) instalments in the first year of this proposal (2019-20). Where this proposal results in higher income tax relating to the 2019-20 income year, this would be recognised and paid in subsequent years.

Methodology

The financial implications of this proposal 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 proposal was calculated by estimating the allowable debt deduction for each company under the proposal and subtracting the amount of current allowable debt deductions. An adjustment was made for the assumed behavioural response, weighted average company tax rate, and the estimated timing of tax payments.

There is a positive interaction effect between this proposal 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.

Data sources

Australian Taxation Office, 2017. *Company tax return data for 2012-13 to 2016-17*, Canberra: Commonwealth of Australia.

Australian Taxation Office, 2017. *International Dealings Schedule Data*, Canberra: Commonwealth of Australia.

Australian Taxation Office, 2018. *Australian Taxation Office Submission to the Inquiry into Corporate Tax Avoidance and Minimisation*, Canberra: Commonwealth of Australia.

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

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

Commonwealth of Australia, 2013. *Budget 2013-14*, Canberra: Commonwealth of Australia.

Company level financial data were extracted from financial statements provided to the Australian Securities Exchange and the New York Stock Exchange.

The Treasury provided the modelling for the 2018-19 Budget measure *Tax Integrity – thin capitalisation – valuation of assets and treatment of consolidated entities*.

Attachment A – End corporate tax avoidance through artificial debt shifting into low-taxing jurisdictions – financial implications

Table A1: End corporate tax avoidance through artificial debt shifting into low-taxing jurisdictions – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
<i>Company tax revenue</i>	-	250	230	230	720
Total	-	250	230	230	720

(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.



Policy costing

Bring public schools to full Schooling Resource Standard by 2023 and establish a school breakfast program

Party: Australian Greens

Summary of proposal:

The proposal has four components to increase funding for government schools.

- Component 1 – Increase Commonwealth Government funding for government schools in even annual steps to reach 25 per cent of the Schooling Resource Standard (SRS) by 2023 and maintain this level on an ongoing basis.

All other aspects of current policy for schools funding remain unchanged.

Component 1 would have effect from 1 January 2020.

- Component 2 – Increase funding to the existing Capital Grants Program to \$400 million per year from 2019-20 to 2029-30. Departmental expenses would be included within the capped amount.

Component 2 would have effect from 1 July 2020.

- Component 3 – Increase grant funding to Foodbank Australia, to expand their School Breakfast Program, by the following amounts, net of departmental expenses. Component 3 would have effect from 1 July 2019.

Financial year	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Funding (\$m)	10.7	11.1	11.6	12.1	12.6	13.1	13.6	14.2	14.7	15.3	15.8

- Component 4 – Provide the following capped funding to government school systems for students with disability. This funding restores the estimated decrease for each system resulting from the change in disability loading calculations between 2017 and 2018, calculated as the difference between total 2017 and 2018 disability loading funding. Funding would be restored in equal steps spread over three years from 1 January 2020.

Jurisdiction	South Australia	Western Australia	Tasmania	Australian Capital Territory	Northern Territory
Funding (\$m)	3.9	1.3	7.3	0.6	7.4

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by \$6,947.6 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of \$6,927 million and an increase in departmental expenses of \$20.6 million.

The proposal would be expected to have an ongoing 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](#).

Component 1 and 4 of this proposal are not expected to affect departmental expenses as these components do not involve a significant change in the complexity of administering the school funding system. Departmental expenses for this proposal reflect the cost of delivering capital funding under Component 2 and Foodbank Australia funding under Component 3.

The financial implications of Component 1 are sensitive to future growth in enrolments and changes in the SRS (which is indexed annually). The financial implications of Components 2 to 4 are certain.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-594.4	-1,631.9	-2,105.2	-2,617.1	-6,947.6
Underlying cash balance	-594.4	-1,631.9	-2,105.2	-2,617.1	-6,947.6

(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 Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- In relation to baseline policy settings Commonwealth Government funding for government schools from the 2023 calendar year onwards would maintain the same share of SRS as the previous year.
- Departmental expenses for the Capital Grants Program are based on the current arrangements for Block Grant Authorities to administer grant payments to non-government schools.

Methodology

Component 1 – Increase in government school funding

The proposal was costed using the school 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 in equal increments from 2020 to 2023 so that these systems were funded at 25 per cent of the SRS from 2023 onwards. 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. As a result, the 2019-20 value for the financial year reflects a half-year impact.

Component 2 – Capital Grants Program funding

The Capital Grants Program funding was increased to the specified amount in each year.

Departmental expenses to administer grants are estimated based on current arrangements and are included within the capped amount as specified.

Component 3 – School breakfast program

Grant funding to Foodbank Australia for the School Breakfast Program is based on the specified annual funding amounts. Additional departmental expenses to administer the grants 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.

Component 4 – Students with disability

Administered funding to the five government school systems for students with disability was increased based on the specified amounts spread evenly over three years from 1 January 2020. The funding was added to school allocations for affected states and territories after applying the increase to government schools under Component 1.

All components

Administered expenses for Components 1 and 2 have been rounded to the nearest \$1 million. All other estimates have been rounded to the nearest \$100,000.

Data sources

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

The Department of Education and Training provided the schools funding model as at the 2019 Pre-election Economic and Fiscal Outlook and information on the impact of changes in students with disability loadings by jurisdiction and school sector between 2017 and 2018, based on data as at 17 November 2017.

Department of Education and Training, 2018. *Capital grants for non-government schools* [Online] Available at <https://www.education.gov.au/capital-grants-non-government-schools> [Accessed 20.02.2019].

Attachment A – Bring public schools to full Schooling Resource Standard by 2023 and establish a school breakfast program – financial implications

Table A1: Bring public schools to full Schooling Resource Standard by 2023 and establish a school breakfast program – 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													
<i>Administered</i>													
<i>Component 1: Increase in government school funding</i>	-580.0	-1,389.0	-1,870.0	-2,391.0	-2,721.0	-2,840.0	-2,963.0	-3,092.0	-3,228.0	-3,369.0	-3,503.0	-6,229.0	-27,946.0
<i>Component 2: Capital Grants Program funding</i>	-	-218.0	-210.0	-204.0	-198.0	-191.0	-185.0	-178.0	-171.0	-164.0	-156.0	-632.0	-1,874.0
<i>Component 3: School breakfast program</i>	-10.7	-11.1	-11.6	-12.1	-12.6	-13.1	-13.6	-14.2	-14.7	-15.3	-15.8	-45.5	-144.8
<i>Component 4: Funding for students with disability in five government school systems</i>	-3.4	-6.8	-6.8	-3.4	-	-	-	-	-	-	-	-20.5	-20.5
Total – administered	-594.1	-1,624.9	-2,098.4	-2,610.5	-2,931.6	-3,044.1	-3,161.6	-3,284.2	-3,413.7	-3,548.3	-3,674.8	-6,927.0	-29,985.3
<i>Departmental</i>													
<i>Component 1: Increase in government school funding</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 2: Capital Grants Program funding</i>	-	-6.7	-6.5	-6.3	-6.1	-5.9	-5.7	-5.5	-5.3	-5.1	-4.8	-19.5	-58.0
<i>Component 3: School breakfast program</i>	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-1.1	-3.5
<i>Component 4: Funding for students with disability in five government school systems</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – departmental	-0.3	-7.0	-6.8	-6.6	-6.4	-6.2	-6.0	-5.8	-5.7	-5.5	-5.2	-20.6	-61.5
Total - expenses	-594.4	-1,631.9	-2,105.2	-2,617.1	-2,938.0	-3,050.3	-3,167.6	-3,290.0	-3,419.4	-3,553.8	-3,680.0	-6,947.6	-30,046.8

(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.



Policy costing

Invest in childcare by abolishing the activity test and raising the income threshold

Party: Australian Greens

Summary of proposal:

This proposal has three components.

- Component 1 has two elements that relate to the National Partnership Agreement on Universal Access to Early Childhood Education which determines Commonwealth and state funding for preschool attendance. The current agreement concludes at the end of the 2020 calendar year.
 - Element 1 would make preschool funding for four-year-old children ongoing and would provide free access for up to 24 hours per child per week across all preschool settings. The current state-to-Commonwealth funding ratio would remain unchanged.
 - Element 2 would provide ongoing preschool funding to allow free access to preschool for three-year-old children for up to 24 hours per child per week across all preschool settings. The current state-to-Commonwealth preschool funding ratio would also apply to three-year-old children.
- Component 2 would expand access to Commonwealth child care funding by removing the child care subsidy activity test entirely and amending the child care subsidy rates as per the table below.

Current annual family income thresholds	Current child care subsidy rate (per cent)	Proposed child care subsidy rate (per cent)*
Up to \$66,958	85	100
\$66,959 to \$171,958	Tapered reduction to 50	100
\$171,959 to \$251,248	50	Stepped reduction from 100 to 50
\$251,249 to \$341,248	Tapered reduction from 50 to 20	Stepped reduction from 50 to 10
\$341,249 to \$351,248	20	
\$351,249 or more	0	0

* Subsidy rates would step down by equal reductions for each \$3,000 increase in family income.

Under the baseline policy setting Commonwealth preschool funding reduces Commonwealth child care funding. Necessary arrangements would be made under this proposal to ensure that child care funding would be calculated net of preschool funding.

- Component 3 would provide \$200 million of grant funding in 2019-20 to reduce waiting lists for community and non-profit (including local government-run) child care centres by increasing the number of spaces they offer. Grants would assist with capital works or increased workforce, depending on the specific needs of individual centres. This funding would be targeted towards high-need areas, where the gap in availability is greatest.

Component 1 of the proposal would have effect from 1 January 2021. Components 2 and 3 would have effect from 1 July 2019.

Costing overview

This proposal would be expected to decrease the fiscal balance by \$20,631 million and the underlying cash balance by \$20,389 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, the impact reflects an increase in administered expenses of \$20,602 million and a relatively small increase in departmental expenses of \$29 million.

The underlying cash balance impact differs to 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 withholding amount 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](#).

The financial implications of this proposal are sensitive to several factors. These include:

- assumed increases in preschool and child care enrolment rates over time, which is expected to be driven by the increased child care funding (due to increases in rates and available hours), 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 funding due to the provision of Commonwealth preschool funding is uncertain because of the uncertainty about baseline interactions between the preschool and child care funding mechanisms.
- responses by child care providers or parents to the proposed changes to child care funding arrangements, which could alter the cost of this proposal.

More generally, there is uncertainty around the baseline data due to limited information about the operation of the new child care system that commenced in July 2018.

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.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-3,695	-4,620	-5,928	-6,391	-20,631
Underlying cash balance	-3,520	-4,584	-5,914	-6,373	-20,389

(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 – Preschool

- Four-year-old preschool enrolment would remain unchanged; however these children are assumed to increase their preschool use in response to the proposal.
- 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 would be used by states and territories to expand capacity in government preschools.

Component 2 – Child care changes

- Child care use would increase in response to the additional child care funding provided under this proposal. This would largely reflect an increase in the number of subsidised days and hours used.
 - Children who currently use little or no formal child care would take up free formal child care for up to three days a week.
- Child care fee growth is in line with Department of Education and Training estimates over the 2019-20 Budget forward estimates period and is based on PBO projections over the medium term.
- The necessary arrangements would be implemented to ensure that child care funding would be calculated net of preschool funding.
 - Fifty per cent of Commonwealth preschool funding would be included in child care subsidy funding calculation, reducing the amount of child care subsidy funding paid.
 - The legislative changes required to implement this proposal would be drafted to remove the ability of care providers/parents to claim full child care subsidy funding and full preschool funding in respect of the same care session.

Methodology

Component 1 – Preschool

The financial implications for Element 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 subsidy 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 Element 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 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.

Component 2 – Child care changes

Administered expense estimates were calculated over the 2019-20 Budget forward estimates period using the Department of Education and Training child care model. The model used a 20 per cent sample of 2016-17 unit record child care payment administrative data. The PBO extended the model over the medium term using relevant parameters. The model simulates child care administered expenses under both the current child care system and the proposal. The difference between the proposed and baseline expense amounts represents the financial impact of the proposal.

A behavioural response has been included to account for children who currently use little or no formal child care and who would be expected to increase their use of formal child care for up to three days under the proposal.

Underlying cash balance implications were estimated by applying a 5 per cent timing difference to the fiscal balance implications to reflect the withholding rule that applies to child care payments.

Departmental expense estimates were calculated using the Department of Human Services unit price funding model which calculates results based on the estimated number of affected recipients.

Component 3 – Capital funding

Capital funding specified in Component 3 was added to the financial implications. Departmental costs reflect the impact of an increase in expenses related to drafting program guidelines and assessing grant applications.

All components

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*, Productivity Commission, Canberra.

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 – Invest in childcare by abolishing the activity test and raising the income threshold – financial implications

Table A1: Invest in childcare by abolishing the activity test and raising the income threshold – 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													
<i>Administered</i>													
Component 1 – Preschool													
<i>Make preschool ongoing for four-year-olds for up to 24 hours per child per week</i>	-	-218	-734	-778	-831	-884	-935	-978	-1,016	-1,053	-1,090	-1,729	-8,516
<i>Reduced child care subsidy payments for four-year-olds</i>	-	52	109	115	125	135	144	153	162	171	180	276	1,347
<i>Provide preschool to three-year-olds for up to 24 hours per child per week</i>	-	-194	-707	-752	-797	-843	-881	-919	-958	-998	-1,031	-1,653	-8,080
<i>Reduced child care subsidy payments for three-year-olds</i>	-	87	184	195	212	228	243	258	274	289	304	466	2,274
Component 2 – Child care changes													
<i>Child care subsidy costs for all children</i>	-3,130	-3,249	-3,403	-3,604	-3,915	-4,213	-4,498	-4,778	-5,061	-5,338	-5,631	-13,385	-46,819
<i>Increased child care subsidy use</i>	-358	-1,089	-1,370	-1,560	-1,606	-1,673	-1,736	-1,818	-1,908	-2,000	-2,073	-4,377	-17,190
Component 3 – Capital funding													
<i>Capital funding</i>	-200	-	-	-	-	-	-	-	-	-	-	-200	-200
Total – administered	-3,688	-4,611	-5,921	-6,384	-6,812	-7,250	-7,663	-8,082	-8,507	-8,929	-9,341	-20,602	-77,184
<i>Departmental</i>													
Component 1 – Preschool													
<i>Extending universal access to preschool</i>	-2	-	-	-	-	-	-	-	-	-	-	-2	-2
Component 2 – Child care changes													
<i>Establishment and system changes</i>	-	-4	-1	-	-	-	-	-	-	-	-	-5	-5
<i>Additional child care subsidy beneficiaries</i>	-2	-5	-6	-7	-7	-7	-7	-7	-7	-7	-7	-19	-67
Component 3 – Capital funding													
<i>Draft program guidelines and assess grant applications</i>	-3	-	-	-	-	-	-	-	-	-	-	-3	-3
Total – departmental	-7	-9	-7	-7	-7	-7	-7	-7	-7	-7	-7	-29	-77
Total – expenses	-3,695	-4,620	-5,928	-6,391	-6,819	-7,257	-7,670	-8,089	-8,514	-8,936	-9,348	-20,631	-77,261

(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: Invest in childcare by abolishing the activity test and raising the income threshold – 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													
<i>Administered</i>													
Component 1 – Preschool													
<i>Make preschool ongoing for four-year-olds for up to 24 hours per child per week</i>	-	-218	-734	-778	-831	-884	-935	-978	-1,016	-1,053	-1,090	-1,729	-8,516
<i>Reduced child care subsidy payments for four-year-olds</i>	-	49	106	115	125	134	144	153	162	171	180	270	1,338
<i>Provide preschool to three-year-olds for up to 24 hours per child per week</i>	-	-194	-707	-752	-797	-843	-881	-919	-958	-998	-1,031	-1,653	-8,080
<i>Reduced child care subsidy payments for three-year-olds</i>	-	83	179	194	211	227	242	258	273	288	304	456	2,259
Component 2 – Child care changes													
<i>Child care subsidy costs for all children</i>	-2,973	-3,243	-3,395	-3,594	-3,899	-4,199	-4,484	-4,764	-5,046	-5,324	-5,617	-13,205	-46,537
<i>Increased child care subsidy use</i>	-340	-1,052	-1,356	-1,551	-1,603	-1,670	-1,733	-1,814	-1,903	-1,996	-2,069	-4,299	-17,087
Component 3 – Capital funding													
<i>Capital funding</i>	-200	-	-	-	-	-	-	-	-	-	-	-200	-200
Total – administered	-3,513	-4,575	-5,907	-6,366	-6,794	-7,235	-7,647	-8,064	-8,488	-8,912	-9,323	-20,360	-76,823
<i>Departmental</i>													
Component 1 – Preschool													
<i>Extending universal access to preschool</i>	-2	-	-	-	-	-	-	-	-	-	-	-2	-2
Component 2 – Child care changes													
<i>Establishment and system changes</i>	-	-4	-1	-	-	-	-	-	-	-	-	-5	-5
<i>Additional child care subsidy beneficiaries</i>	-2	-5	-6	-7	-7	-7	-7	-7	-7	-7	-7	-19	-67
Component 3 – Capital funding													
<i>Draft program guidelines and assess grant applications</i>	-3	-	-	-	-	-	-	-	-	-	-	-3	-3
Total – departmental	-7	-9	-7	-7	-7	-7	-7	-7	-7	-7	-7	-29	-77
Total – payments	-3,520	-4,584	-5,914	-6,373	-6,801	-7,242	-7,654	-8,071	-8,495	-8,919	-9,330	-20,389	-76,900

(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.



Policy costing

Abolish the Private Health Insurance Rebate					
Party:	Australian Greens				
Summary of proposal:					
This proposal would phase out the Private Health Insurance Rebate over three years from 1 July 2019.					
The phase-out would occur as follows:					
Rebate percentage	2018–19	2019–20	2020–21	2021–22	2022–23
Base tier under 65	25.415	15.000	5.000	-	-
Base tier 65-69	29.651	19.000	9.000	-	-
Base tier 70+	33.887	23.000	13.000	3.000	-
Tier 1 under 65	16.943	6.000	-	-	-
Tier 1 65-69	21.180	11.000	-	-	-
Tier 1 70+	25.415	15.000	5.000	-	-
Tier 2 under 65	8.471	-	-	-	-
Tier 2 65-69	12.707	-	-	-	-
Tier 2 70+	16.943	-	-	-	-

Costing overview

The proposal would be expected to increase the fiscal balance by \$21,654 million and increase the underlying cash balance by \$20,888 million over the 2019-20 Budget forward estimates period.

These impacts are primarily due to a decrease in Private Health Insurance Rebate expenses, reflecting the combined effect of lower rebate rates for recipients affected by the proposal and an assumed decrease in the number of people using private health insurance from the resultant higher out-of-pocket cost. There would also be an increase in revenue associated with the Medicare Levy Surcharge due to some additional individuals becoming liable for it as a result of opting not to have private health insurance.

The difference between the fiscal and underlying cash balances is due to the timing of when the Private Health Insurance Rebate is incurred and paid through the Australian Taxation Office, which is in the next income year, as individuals file their tax returns.

The proposal would have ongoing financial implications beyond the 2019-20 Budget forward estimates period. A detailed breakdown of the impact from 2019-20 to 2029-30 is at [Attachment A](#).

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 private health insurance.

Broader effects, including the potential flow-on impacts on the public health system, have not been included in this costing as these effects are uncertain. While there is likely to be a net cost to the public health system overall, there would be offsetting impacts on the Commonwealth Government.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	2,976	5,218	6,568	6,893	21,654
Underlying cash balance	2,636	4,975	6,421	6,856	20,888

(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.

- As the proposal would increase out-of-pocket costs of private health insurance there would be a decrease in the number of people taking out coverage, with higher income policy holders assumed to be less responsive to price changes and therefore more likely to maintain their cover than those on low incomes.
- The majority of Private Health Insurance Rebate expenses administered by the Department of Health are delivered in the same financial year in which they accrue, with a small proportion delivered in the following financial year. Additionally, there is an amount paid through the Australian Taxation Office as individuals file their tax returns.
- Medicare Levy Surcharge revenue is collected over the two years after the liability is incurred, at the time individuals lodge their tax returns.

Methodology

The financial implications of the proposal were estimated based on the current number of Private Health Insurance Rebate recipients and average rebate amounts by income tiers, with adjustments for the assumed behavioural change of people ceasing private health insurance coverage as a result of the proposal.

Projected income distributions of individuals and families with and without private health insurance were generated based on de-identified 2016-17 personal income tax data. Average private health insurance premiums were estimated using data from the Private Health Insurance Administration Council and projected over the medium term.

Medicare Surcharge Levy liabilities and Private Health Insurance Rebate amounts were estimated under both current and proposed policy settings. Behavioural responses to the increase in net private health insurance premiums and the Medicare Levy Surcharge liabilities were taken into account. The total Private Health Insurance Rebate expense and Medicare Levy Surcharge revenue estimates under the proposal were then compared to the total under the baseline scenario to determine the cost of the proposal.

The PBO has estimated departmental expenses based on recent budget measures with similar administrative complexity. Departmental expenses of \$2 million were included for implementation of the new policy. There is no departmental expense reduction as the administrative costs associated with the rebate are substantially driven by the number of insurers and policies provided, and the scope of services covered by the policies, rather than the number of people eligible for the Private Health Insurance Rebate.

All estimates in this costing are rounded to the nearest \$1 million.

Data sources

Australian Government, 2019. *2019-20 Budget*, Canberra: Australian Government.

The Australian Taxation Office provided de-identified personal income tax and superannuation contribution unit record data for 2016-17.

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.

Attachment A – Abolish the Private Health Insurance Rebate – financial implications

Table A1: Abolish the Private Health Insurance Rebate – 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													
<i>Medicare Levy Surcharge</i>	47	63	74	78	89	96	105	113	122	130	139	262	1,056
Total – revenue	47	63	74	78	89	96	105	113	122	130	139	262	1,056
Expenses													
<i>Administered</i>													
<i>Private Health Insurance Rebate</i>	2,931	5,155	6,494	6,815	6,984	7,157	7,334	7,516	7,703	7,894	8,073	21,394	74,055
Total – administered	2,931	5,155	6,494	6,815	6,984	7,157	7,334	7,516	7,703	7,894	8,073	21,394	74,055
<i>Departmental</i>													
<i>Initial implement expense</i>	-2	-	-	-	-	-	-	-	-	-	-	-2	-2
Total – departmental	-2	-	-	-	-	-	-	-	-	-	-	-2	-2
Total – expenses	2,929	5,155	6,494	6,815	6,984	7,157	7,334	7,516	7,703	7,894	8,073	21,392	74,053
Total	2,976	5,218	6,568	6,893	7,073	7,253	7,439	7,629	7,825	8,024	8,212	21,654	75,109

(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: Abolish the Private Health Insurance Rebate – 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													
<i>Medicare Levy Surcharge</i>	-	43	61	73	77	88	95	104	112	121	129	177	904
Total – receipts	-	43	61	73	77	88	95	104	112	121	129	177	904
Payments													
<i>Administered</i>													
<i>Private Health Insurance Rebate</i>	2,638	4,932	6,360	6,783	6,967	7,140	7,317	7,498	7,684	7,875	8,055	20,713	73,248
Total – administered	2,638	4,932	6,360	6,783	6,967	7,140	7,317	7,498	7,684	7,875	8,055	20,713	73,248
<i>Departmental</i>													
<i>Initial implement expense</i>	-2	-	-	-	-	-	-	-	-	-	-	-2	-2
Total – departmental	-2	-	-	-	-	-	-	-	-	-	-	-2	-2
Total – payments	2,636	4,932	6,360	6,783	6,967	7,140	7,317	7,498	7,684	7,875	8,055	20,711	73,246
Total	2,636	4,975	6,421	6,856	7,044	7,228	7,412	7,602	7,796	7,996	8,184	20,888	74,150

(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.



Policy costing

Blitz elective surgery waiting lists	
Party:	Australian Greens
Summary of proposal: <p>The proposal would provide one-off payments to the states and territories (the states) to help eliminate public hospital surgery waiting lists for particular categories of clinical urgency. These payments would be spread over two years from 1 July 2019, with 80 per cent paid in the first year.</p> <p>The payment would be based on the number of patients on elective surgery waiting lists who have been waiting longer than clinically indicated for their category as at 30 June 2019. All patients in clinical urgency categories 1, 2 and 3 would be eligible.</p> <p>The payment rate per patient would be based on the national efficient price for each category of surgery as per the Independent Hospital Pricing Authority's cost determinations.</p> <p>The proposal would commence on 1 July 2019.</p>	

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by \$592 million over the 2019-20 Budget forward estimates period. This impact is entirely due to an increase in administered expenses. Departmental expenses are not expected to be significant and have not been included in the analysis.

The proposal would not be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

The financial implications of this proposal are highly sensitive to the estimated cost per surgery and the number of patients classified as waiting longer than clinically indicated on 30 June 2019. It is not clear whether this classification is applied consistently across states. It is uncertain whether the proposal would be effective in increasing the supply of surgical services and, in this regard, the Parliamentary Budget Office (PBO) has not undertaken any analysis as to whether the proposal would be effective in reducing the number of patients on waiting lists.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-472	-120	-	-	-592
Underlying cash balance	-472	-120	-	-	-592

(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.

- Growth in the number of patients waiting longer than clinically indicated in 2018-19 would be equal to average growth over 2016-17 and 2017-18.
- The national efficient price for 2020-21 would be based on the average cost of public hospital activity in the 2016-17 financial year. The average cost was \$4,866 per national weighted activity unit and has been indexed at a rate of 1.8 per cent per year.
- The average cost per surgery for those on the waiting list would be equal to a weighted average cost over all surgical procedures, except transplants and neonatal surgeries.
 - This weighted average is the product of the national efficient price in that year and the price weights by surgery type, which is then weighted by the composition of surgeries performed in 2016-17.
 - All transplants and neonatal surgeries would be performed within the clinically indicated time.
- The mix of surgery types for those eligible under the proposal would be the same as the composition of surgeries performed in 2016-17.
- Hospitals and physicians would not change their approach when classifying patients into categories 1 to 3, leading to the proposal having no impact on the number of patients awaiting elective surgery on 1 July 2019 nor on those classified as waiting longer than clinically indicated at that date.

Methodology

Administered expenses were calculated by multiplying the projected number of eligible patients by the average cost per surgery, based on the national efficient price.

Eligible patients

The number of eligible patients, as at 30 June 2019, would be the number of eligible patients in clinical urgency categories 1 to 3 in 2017-18, grown by average historical growth.

- The number of clinical urgency category 1 to 3 patients in each state who have been waiting for longer than clinically indicated was extracted for 2016-17 and 2017-18 from the Australian Institute of Health and Welfare (the Institute) report *Elective surgery waiting times*.

Cost per surgery

The average cost per surgery in each year was estimated as the product of the national efficient price and the price weight by surgery type, which is then weighted by the composition of surgeries.

- The average cost per surgery was estimated to be \$8,350 for 2019-20 and \$8,500 for 2020-21.
 - This is based on the national efficient price of \$5,134 for 2019-20, \$5,226 for 2020-21, and price weights for individual surgical procedures for 2019-20 published by the Independent Hospital Pricing Authority. These are then weighted by the Institute's data on the surgical mix in 2016-17 (the last year that data on surgical partitions are available).
 - Transplants and neonatal surgeries were excluded from the final weighted average calculation as outlined above.

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

Data sources

Australian Institute of Health and Welfare, 2018. *Elective surgery waiting times 2017-18: Australian hospital statistics*.

Australian Institute of Health and Welfare, 2017. *Elective surgery waiting times 2016-17: Australian hospital statistics*.

Australian Institute of Health and Welfare, 2018. *Separation statistics by AR-DRG (version 8.0): Australian 2016-17*. [Online] Available at: <https://www.aihw.gov.au/reports/hospitals/ar-drg-data-cubes/contents/data-cubes> [Accessed 08.03.2019].

Australian Institute of Health and Welfare, 2018. *Waiting times for elective surgery: by speciality of surgeon*. [Online] Available at: <https://www.aihw.gov.au/reports/hospitals/myhospitals-waiting-times-elective-surgery-2017-18/contents/summary> [Accessed 04.03.2019].

Independent Hospital Pricing Authority. *National Efficient Price Determination 2019-20*. [Online] Available at: <https://www.ihpa.gov.au/publications/national-efficient-price-determination-2019-20> [Accessed 08.03.2019].



Policy costing

Safeguard full funding for hospitals	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>The proposal has three components.</p> <ul style="list-style-type: none">• Component 1: The Commonwealth Government would fund 50 per cent of the annual growth in the efficient cost of activity-based and block-funded hospital services on an ongoing basis and would maintain the activity-based funding model.<ul style="list-style-type: none">– Under the baseline policy, the Commonwealth Government will fund 45 per cent of the annual growth in the efficient cost of activity-based and block-funded hospital services over the period to 2029-30, with annual funding growth capped at 6.5 per cent.• Component 2: The Commonwealth Government would establish an independent national health agency to support the integration of health services at a regional level.<ul style="list-style-type: none">– The new agency would take over the functions of the Independent Hospital Pricing Authority, the Administrator of the National Health Funding Pool, the Australian Institute of Health and Welfare, the Australian Digital Health Agency, and the Australian Commission on Safety and Quality in Health Care. These agencies would be abolished.– The new agency would also have responsibility for stewardship and funding decision making for primary care and dental care, with these functions transferring from the Department of Health.– All new agency staff would be co-located in Canberra.– The new agency would be distinct from the Commonwealth, state and territory health departments, and would report directly to the Council of Australian Governments or the Council of Australian Governments Health Council.• Component 3: The Commonwealth Government would provide \$10 million per year for four years to public hospitals to boost maternity care and breastfeeding support and increase access to up-to-date information in the antenatal and postnatal period, particularly in rural and regional Australia. This would comprise:<ul style="list-style-type: none">– \$4 million per year to collect data about birth and care experiences of women in hospitals via a survey of prenatal and antenatal care– \$6 million per year for public hospitals to become Baby Friendly accredited, which would ensure all public hospital maternity facilities meet best practice standards for promoting and supporting breastfeeding. <p>The proposal would have effect from 1 July 2019.</p>	

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by \$2,253 million over the 2019-20 Budget forward estimates period. This reflects an increase in administered expenses of \$1,955 million and an increase in departmental expenses of \$298 million, including capital expenses of \$90 million in 2019-20.

Departmental expenses for Components 1 and 3 are not expected to be significant and have not been included.

The financial impact of this proposal is predominantly due to one of the agencies that would be incorporated into the new agency receiving continuing funding under the proposal. This funding has not been included in the 2019-20 Budget baseline.

The proposal would be expected to have an 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](#).

The estimates for Component 1 are sensitive to projections of demand for hospital services and the efficient price of those services. The estimates for Component 2 are very sensitive to the level of funding provided for the abolished agencies under the budget baseline. The implications for Components 1 and 2 are also sensitive to assumptions on redundancy levels and costs, lease-break costs and capital expenses, and to parameter variations in the consumer price index and wage cost index. The estimates for Component 3 are certain as they are based on a specified capped amount.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-258	-516	-661	-817	-2,253
Underlying cash balance	-258	-516	-661	-817	-2,253

(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 the proposal.

Component 1 – Fund 50 per cent of the efficient growth in 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.
- The amounts provided for public health activities under the National Health Reform Agreement 2011 would continue.

Component 2 – Establish an independent national health agency

- The new agency would sign a new lease agreement in Canberra and there would be lease-break costs incurred on all current lease arrangements for the agencies being abolished.
- Current Sydney-based staff would be offered redundancies and existing Canberra-based staff undertaking functions that would be transferred would move to the new agency. Natural attrition has been factored into redundancy estimates.
- The overall staffing level under the proposal would be in line with those employed to perform the current functions assumed by the new agency.
- The new agency would be funded by the Commonwealth Government without assistance from state and territory governments.

Methodology

Component 1

The financial implications of this proposal represent the difference between the 2019-20 Budget baseline and the specified change to funding arrangements. Efficient growth in hospital services was estimated using the Department of Health's hospital funding model. The model grows the nationally efficient price, national weighted activity units and national efficient cost independently over the medium term, based on actual historical hospital funding outcomes.

Component 2

The baseline administered and departmental expenses over the 2019-20 Budget forward estimates period were obtained from the Department of Health. The Department confirmed that some current functions that would be assumed by the new agency do not have ongoing funding under the budget baseline and that their funding is subject to future decisions by the Commonwealth Government. Ongoing functions had their baseline funding projected out to 2029-30.

The administered and departmental expenses under the proposal have been derived from baseline expenses by adjusting to account for:

- the ongoing nature of the new agency
- voluntary redundancy costs, lease-break costs, capital expenses and other departmental costs, which were based on similar budget measures
- savings from consolidating the corporate functions of the amalgamated agencies.

Administered expenses were grown by the consumer price index. Departmental expenses were estimated by growing the appropriate wage cost index net of the efficiency dividend as at the 2019-20 Pre-election Economic and Fiscal Outlook.

Component 3

The financial implications of this component are equal to the specified capped funding amount.

All components

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

Data sources

The Department of Health provided the 2019-20 Pre-election Economic and Fiscal Outlook hospital funding model and details on the agencies to be abolished under the proposal.

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.

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

Attachment A – Safeguard full funding for hospitals – financial implications

Table A1: Safeguard full funding for hospitals – 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
Component 1: Fund 50 per cent of the efficient growth in activity-based and block-funded hospital services													
<i>Administered</i>	-118	-252	-394	-543	-700	-865	-1,039	-1,222	-1,415	-1,618	-1,832	-1,307	-9,999
<i>Departmental</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – Component 1	-118	-252	-394	-543	-700	-865	-1,039	-1,222	-1,415	-1,618	-1,832	-1,307	-9,999
Component 2: Establish an independent national health agency													
<i>Administered</i>													
<i>Current functions of separate health agencies</i>	956	770	687	707	725	743	762	781	800	820	841	3,120	8,593
<i>Independent agency</i>	-956	-967	-889	-915	-938	-961	-985	-1,010	-1,035	-1,061	-1,087	-3,728	-10,805
Total – administered	-	-197	-202	-208	-213	-218	-223	-229	-235	-241	-246	-608	-2,212
<i>Departmental</i>													
<i>Current functions of separate health agencies</i>	179	123	124	125	125	126	127	128	129	130	131	550	1,446
<i>Independent agency</i>	-219	-180	-179	-181	-182	-183	-184	-186	-187	-188	-189	-758	-2,057
<i>Capital expenses</i>	-90	-	-	-	-	-	-	-	-	-	-	-90	-90
Total – departmental	-130	-57	-55	-56	-57	-57	-57	-58	-58	-58	-58	-298	-701
Total – Component 2	-130	-254	-257	-264	-270	-275	-280	-287	-293	-299	-304	-906	-2,913
Component 3: Boost maternity care and breastfeeding support in public hospitals													
<i>Administered</i>	-10	-10	-10	-10	-	-	-	-	-	-	-	-40	-40
<i>Departmental</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – Component 3	-10	-10	-10	-10	-	-	-	-	-	-	-	-40	-40
Total	-258	-516	-661	-817	-970	-1,140	-1,319	-1,509	-1,708	-1,917	-2,136	-2,253	-12,952

(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.



Policy costing

Protect Medicare and expand it to cover dental care, expanding to universal dental coverage by 2025

Party: Australian Greens

Summary of proposal:

This proposal consists of two components.

- Component 1 – Re-instate indexation

This component would modify the indexation arrangements for Medicare rebates paid by the Commonwealth Government under the Medicare Benefits Schedule (MBS) by bringing forward the re-indexation of other general practitioner services (other GP services) and 58 diagnostic imaging items from 1 July 2020 to 1 July 2019.

This component would also index rebates associated with those diagnostic imaging services not previously indexed, from 1 July 2019.

- Component 2 – Bringing dental care into Medicare

This component would expand the Child Dental Benefit Schedule to provide eligible recipients with up to \$1,000 over two years for routine and therapeutic dental care.

Eligibility for the new dental scheme would be expanded gradually as follows:

- everyone under 18 and eligible for Medicare, from 1 July 2019
- all age pension recipients, from 1 July 2020
- all individuals receiving full benefit payments, from 1 July 2021
- all other concession card holders, from 1 July 2022
- all persons eligible for Medicare, from 1 July 2025.

Costing overview

This proposal would be expected to decrease the fiscal balance by \$6,178 million and the underlying cash balance by \$6,138 million over the 2019-20 Budget forward estimates period. In fiscal balance terms, this impact reflects an increase in administered expenses of \$5,896 million and an increase departmental expense of \$282 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 for the new dental scheme, which increase as the number of eligible recipients 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 to health care providers.

The financial implications of Component 1 of this proposal are sensitive to the projection of diagnostic imaging service volumes and to indexation arrangements under the budget baseline.

The 2019-20 Budget measure *Guaranteeing Medicare – strengthening primary care* re-introduces indexation for other GP services from 1 July 2019. This means that there would be no financial implications under this proposal for re-indexing other GP services as these are already included in the budget baseline.

The 2019-20 Budget measure *Guaranteeing Medicare – improved access to diagnostic imaging* introduces indexation for ultrasound and x-ray diagnostic imaging services from 1 July 2020. The financial implications of Component 1 are therefore the sum of the implications of:

- bringing forward indexation to 1 July 2019 for ultrasound and x-ray diagnostic imaging items and the 58 diagnostic imaging items in the 2017-18 Budget measure *Guaranteeing Medicare – indexation*
- indexing those diagnostic imaging services items that are not to be re-indexed under the baseline, with indexation commencing from 1 July 2019.

The financial implications of Component 2 of the proposal are highly sensitive to assumptions about the projected number of eligible recipients, the demand for services following the introduction of subsidised dental care for the eligible cohort, and the type and cost of dental services provided. It should be noted that the cap on Government contributions will somewhat protect against any increases in fees charged.

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, given 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	-518	-1,249	-1,996	-2,418	-6,178
Underlying cash balance	-511	-1,235	-1,982	-2,410	-6,138

(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.

Component 1 – Re-instate indexation

- Future growth in the service volume of diagnostic imaging items would be in line with historical growth.
- Indexing schedule fees would have no impact on the Extended Medicare Safety Net benefits.
- The shares of total MBS 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 in the 2019-20 Budget measure *Guaranteeing Medicare – improved access to diagnostic imaging*.
- Indexation parameters would be in line with current MBS indexation arrangement, using wage cost index 5.
- After indexation has been brought forward, the timing of regular indexation would be unchanged, occurring on 1 July each year.

Component 2 – Bringing dental care into Medicare

- Persons eligible for Medicare would be equal to the projected Australian population minus projected temporary visa holders.
 - Temporary visa holders are generally not eligible for Medicare although visitors from some countries are treated under reciprocal arrangements.
 - The number of temporary visa holders in Australia each year would continue to grow at its average rate over 2013-14 to 2017-18.
- Welfare payment recipient numbers are assumed to grow in line with historical trends. This includes the proportion of recipients on full benefit payments.
- 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 \$800 (growing in line with the consumer price index) over each two-year period.
 - This average is based on the historical cost and use of services that would be provided in the course of routine dental care, adjusted to allow for those with low (44 per cent), medium (33 per cent) and high (24 per cent) dental care needs.
- 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.

Methodology

Component 1 – Re-instate indexation

The cost of this component was calculated by estimating the total expenditure on MBS rebates if all diagnostic imaging items were indexed from 1 July 2019, subtracting the total baseline expenditure on MBS rebates. The estimated total expenditure on MBS rebates under the proposed arrangements included allowances for the earlier start dates for re-indexation and the extended scope of which medical services would be indexed.

The cost of this component for the Department of Veterans' Affairs was calculated based on the ratio of its costs relative to those for the Department of Health in the 2019-20 Budget measure related to MBS indexation.

Component 2 – Bringing dental care into Medicare

Administered expenses for this component were calculated by multiplying the projected number of eligible payment recipients by the assumed take-up rate and the assumed annual dental subsidy amount.

The Department of Social Services provided projections of the different welfare recipient types over the 2019-20 Budget forward estimates period. The PBO has extended these projections over the period to 2029-30.

The total subsidy amounts per participant for dental services were 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 welfare recipient components 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 type of services that these participants 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 2019 Pre-election Economic and Fiscal Outlook indexation parameters.

The Department of Health provided the MBS expenditure model, historical MBS transaction data, including details on the 2019-20 Budget measures referred to in this costing, and 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 unit record data on transfer payment recipients.

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 January 2019].

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

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 17 April 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 16 April 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 – Protect Medicare and expand it to cover dental care, expanding to universal dental coverage by 2025 – financial implications

Table A1: Protect Medicare and expand it to cover dental care, expanding to universal dental coverage by 2025 – 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
Component 1: Re-instate indexation													
<i>Administered</i>													
<i>Department of Health</i>	-65	-87	-111	-139	-170	-205	-245	-288	-336	-385	-440	-402	-2,472
<i>Department of Veterans' Affairs</i>	-1	-1	-1	-1	-1	-1	-2	-2	-2	-3	-3	-3	-17
Total – administered	-66	-88	-112	-140	-171	-206	-247	-290	-338	-388	-443	-405	-2,489
<i>Departmental</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – Component 1	-66	-88	-112	-140	-171	-206	-247	-290	-338	-388	-443	-405	-2,489
Component 2: Bringing dental into Medicare													
<i>Administered</i>													
<i>Additional benefits for everyone eligible for Medicare under 18</i>	-408	-568	-577	-624	-637	-687	-700	-753	-769	-824	-842	-2,178	-7,390
<i>Additional subsidies for age pension recipients</i>	-	-546	-704	-722	-739	-763	-777	-804	-817	-847	-861	-1,971	-7,581
<i>Additional subsidies for full benefit recipients</i>	-	-	-519	-662	-675	-690	-704	-721	-735	-753	-768	-1,180	-6,226
<i>Additional benefits for all other concession card holders</i>	-	-	-	-162	-210	-215	-221	-226	-232	-238	-244	-162	-1,748
<i>Benefits for all other persons eligible for Medicare</i>	-	-	-	-	-	-	-2,725	-3,479	-3,522	-3,591	-3,632	-	-16,949
Total – administered	-408	-1,114	-1,800	-2,170	-2,261	-2,355	-5,127	-5,983	-6,075	-6,253	-6,347	-5,491	-39,894
<i>Departmental</i>													
<i>Department of Human Services</i>	-43	-45	-80	-103	-110	-113	-198	-284	-288	-292	-296	-270	-1,851
<i>Department of Health</i>	-1	-2	-4	-5	-6	-6	-10	-14	-14	-15	-15	-12	-91
Total – departmental	-44	-47	-84	-108	-116	-119	-208	-298	-302	-307	-311	-282	-1,942
Total – Component 2	-452	-1,161	-1,884	-2,278	-2,377	-2,474	-5,335	-6,281	-6,377	-6,560	-6,658	-5,773	-41,836
Total	-518	-1,249	-1,996	-2,418	-2,548	-2,680	-5,582	-6,571	-6,715	-6,948	-7,101	-6,178	-44,325

(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: Protect Medicare and expand it to cover dental care, expanding to universal dental coverage by 2025 – 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
Component 1: Re-instate indexation													
<i>Administered</i>													
<i>Department of Health</i>	-64	-85	-109	-137	-168	-202	-241	-284	-331	-380	-433	-397	-2,436
<i>Department of Veterans' Affairs</i>	-1	-1	-1	-1	-1	-1	-2	-2	-2	-3	-3	-3	-17
Total – administered	-65	-86	-110	-138	-169	-203	-243	-286	-333	-383	-436	-400	-2,453
<i>Departmental</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – Component 1	-65	-86	-110	-138	-169	-203	-243	-286	-333	-383	-436	-400	-2,453
Component 2: Bringing dental into Medicare													
<i>Administered</i>													
<i>Additional benefits for everyone eligible for Medicare under 18</i>	-402	-566	-577	-624	-636	-686	-700	-752	-769	-823	-842	-2,168	-7,375
<i>Additional subsidies for age pension recipients</i>	-	-536	-701	-721	-739	-762	-777	-804	-816	-847	-861	-1,959	-7,566
<i>Additional subsidies for full benefit recipients</i>	-	-	-510	-659	-675	-690	-704	-720	-735	-752	-768	-1,169	-6,213
<i>Additional benefits for all other concession card holders</i>	-	-	-	-160	-209	-214	-220	-226	-231	-238	-244	-160	-1,744
<i>Benefits for all other persons eligible for Medicare</i>	-	-	-	-	-	-	-2,678	-3,466	-3,522	-3,590	-3,632	-	-16,888
Total – administered	-402	-1,102	-1,788	-2,164	-2,259	-2,352	-5,079	-5,968	-6,073	-6,250	-6,347	-5,456	-39,786
<i>Departmental</i>													
<i>Department of Human Services</i>	-43	-45	-80	-103	-110	-113	-198	-284	-288	-292	-296	-270	-1,851
<i>Department of Health</i>	-1	-2	-4	-5	-6	-6	-10	-14	-14	-15	-15	-12	-91
Total – departmental	-44	-47	-84	-108	-116	-119	-208	-298	-302	-307	-311	-282	-1,942
Total – Component 2	-446	-1,149	-1,872	-2,272	-2,375	-2,471	-5,287	-6,266	-6,375	-6,557	-6,658	-5,738	-41,728
Total	-511	-1,235	-1,982	-2,410	-2,544	-2,674	-5,530	-6,552	-6,708	-6,940	-7,094	-6,138	-44,181

(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.



Policy costing

Reform the primary health care system of chronic disease management

Party:

Australian Greens

Summary of proposal:

The proposal comprises three components to manage chronic diseases in the Australian population by enrolling a specified number of patients in an ongoing chronic disease management scheme. The proposal would have effect from 1 July 2019. It would operate in addition to the incentives for general practitioners (GPs) implemented in the 2019-20 Budget measure *Guaranteeing Medicare – strengthening primary care*.

Up to 500,000 patients per year with physical health issues and up to 500,000 patients per year with mental health issues would be enrolled. There would be 700,000 enrolled patients in 2020 and one million per year thereafter.

- Component 1 – make an annual payment to GPs of \$1,000 per enrolled patient in return for enrolling patients in the new chronic disease management scheme (the new scheme).

The payments would compensate GPs for time spent managing, planning and coordinating the care of the patient, including with allied health providers. Payments would be conditional on health benchmarks being met; these would be set by the Department of Health and local Primary Health Networks.

The proposal would also phase out specified chronic disease management items in the Medicare Benefits Schedule (MBS) for patients enrolled in the new scheme. Lists of the items affected by each health stream are at [Attachment A](#). These would be phased out as follows:

- year 1 – no change
- year 2 – remove access to half of the relevant MBS items (details to be agreed in consultation with stakeholders as part of implementing the new scheme)
- year 3 – remove access to all of the relevant MBS items.

Patients enrolled in the chronic physical health stream would continue to have any mental health issues treated through existing MBS items. Similarly, patients enrolled in the chronic mental health stream would continue to have any physical health issues treated through existing MBS items. Patients not enrolled in the new scheme would continue to have access to all MBS items.

- Component 2 – develop risk profiles, template management plans, funding recommendations, and administrative and reporting systems to support the new scheme.
- Component 3 – provide a pool of funds to Primary Health Networks, equivalent to \$750 for each enrolled patient visiting allied health providers (such as physiotherapists, nutritionists, nurses and psychologists), for the purpose of subsidising visits.

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by \$4,890 million over the 2019-20 Budget forward estimates period. These impacts are due to an increase in administered expenses of \$4,829 million and an increase in departmental expenses of \$61 million.

The increase in administered expenses over the forward estimates period reflects increased expenditure of \$3,200 million related to payments for enrolled patients and \$2,400 million related to payments to Primary Health Networks. This is partially offset by reduced expenditure of \$772 million, resulting from phasing out the specified MBS payments for current chronic disease management for patients enrolled in the new scheme.

The proposal would be expected to have ongoing impacts beyond the 2019-20 Budget forward estimates period. A breakdown of the financial implications over the period to 2029-30 is provided at [Attachment B](#).

The financial implications of the proposal are very sensitive to the take-up rate of the new scheme and transitional arrangements, which are reasonably uncertain. The financial implications of the proposal are also sensitive to the MBS expenditure that patients enrolled in the new scheme would have incurred under the baseline, the costs of administering the new scheme, and the assumption that both the proposal and the related 2019-20 Budget measure would be fully subscribed when operating in parallel.

The financial implications are also sensitive to potential changes in the billing behaviour of GPs, in particular the assumption that the proposal would not result in any change in demand for services for which Medicare rebates continue to be available. Any switch in billing towards these other services would increase the cost of the proposal.

While there may be additional savings to the Commonwealth from the proposal, for example through reduced GP visits or avoidable hospitalisations, these have not been included due to the high level of uncertainty about the magnitude and timing of their impacts.

Changes to the costs of the Extended Medicare Safety Net have not been included in the costing. They are expected to be small and would depend in part on how Primary Health Networks implement the subsidies proposed under Component 3.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-631	-1,411	-1,477	-1,373	-4,890
Underlying cash balance	-631	-1,411	-1,477	-1,373	-4,890

(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.

Key assumptions

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

Proposal

- The proposal would be fully subscribed at one million patients, and the program as set out in the 2019-20 Budget measure *Guaranteeing Medicare – strengthening primary care* would also be fully subscribed.
 - Given the prevalence of chronic disease in the community, there would be enough patients to fill both schemes.
 - Given the earlier implementation date of the proposal relative to the Budget measure and the more generous funding arrangements under the proposal, implementation of the Budget measure would not alter the profile of uptake for the proposal.
- The scheme would become operational on 1 January 2020.
- All funds provided to Primary Health Networks for the purpose of subsidising allied health provider visits would be used.
- 50 per cent of the costs of all of the items specified to be removed for patients in the scheme would be saved in 2021.
- The proposal would have no impact on the consumption of MBS services for which enrolled patients are still eligible, and no impact on the use of any other Commonwealth Government payments or services.
- Changes to the costs of the Extended Medicare Safety Net are expected to be small and have not been included in this costing.
- The program under Component 2 would be wholly departmental and take two years to complete, with three quarters of the costs incurred in the first year and the remainder in the second year.

Baseline

- Each patient enrolled in the new scheme would have consumed, under the baseline, the historical average number of services of the items phased out under the proposal.
 - For example, if they were not in the new scheme, patients with chronic physical health conditions would consume one health assessment and around three chronic disease management items per year, including team care coordination and review items.
- The costs for MBS items that patients in the new scheme would have consumed under the baseline would be the average cost per service of the relevant item groups, and would have been bulk billed.

Methodology

Component 1 – Establishing a chronic disease management scheme

The administered costs of this component were estimated by subtracting the savings from phasing out the specified MBS payments from the cost of the additional GP payments under the new scheme.

- The costs of the additional GP payments each year were derived by multiplying the assumed number of enrolled patients with a chronic disease condition by the specified annual payments to doctors per enrolled patient (\$1,000).

- The savings from reduced MBS payments for chronic disease management items were calculated by multiplying the assumed number of transactions under the baseline by their projected average cost per service.

Departmental expenses for the Department of Human Services associated with this component were estimated by subtracting the savings from reduced processing of existing MBS items from the additional costs of processing the new payments to GPs.

- The costs of processing new payments to GPs were derived by multiplying the specified number of enrolled patients by the estimated processing cost per transaction, with additional funding for the development of the payment system in 2020.
- Savings from reduced processing of existing MBS items were derived by multiplying the estimated number of services for MBS items that would be removed under this proposal by the estimated processing cost per transaction.

Departmental expenses for the Department of Health were calculated based on similar-sized programs.

Component 2 – Developing departmental support capabilities

Departmental expenses for the Department of Health were calculated based on similar-sized programs and are assumed to be incurred in the first year of operation.

Component 3 – Providing a pool of funds to Primary Health Networks to assist patients with allied health costs

The impact of this component on administered expenses was derived by multiplying the specified number of enrolled patients by the specified annual funding per patient (\$750). The departmental expenses for the Department of Human Services were derived by multiplying the estimated number of enrolled patients by the estimated processing cost per transaction, with additional funding for the development of the payment system in 2020.

Departmental expenses for the Department of Health were calculated based on similar-sized programs.

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

Data sources

Australian Institute of Health and Welfare, 2007. *Comorbidity of mental disorders and physical conditions 2007*, Canberra: Commonwealth of Australia.

Australian Institute of Health and Welfare, 2018. *Mental health services: In brief 2018*, Canberra: Commonwealth of Australia.

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

The Department of Human Services provided the per unit cost departmental parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

Medicare statistics, 2018. [Online] Available at: <http://medicarestatistics.humanservices.gov.au/statistics> [Accessed 9.10.2018].

Attachment A – Primary care reform for chronic disease management – Lists of current chronic disease management items affected by the proposal

The lists below set out the MBS items for which patients enrolled in the new chronic disease management scheme become ineligible after two years.

Chronic physical health stream

Patients enrolled with chronic physical health conditions would be ineligible for the following physical health assessments and chronic disease management plan items.

Physical health assessments

- 10986 Health assessment kids check
- 701 Health assessment brief
- 703 Health assessment standard
- 705 Health assessment long
- 707 Health assessment prolonged
- 715 Health assessment for Aboriginal and Torres Strait Islander People

Chronic disease management plan

- 721 Chronic disease plan
- 723 Team care coordination
- 729 Contribution to team care (health)
- 731 Contribution to team care (aged)
- 732 Review of GP management plan

Chronic mental health stream

Patients enrolled with chronic mental health conditions would be ineligible for the following mental health assessment and treatment plan items.

Mental health assessments and treatment plan

- 2700 GP mental health treatment plan – 20 to 40 minutes with no additional training
- 2701 GP mental health treatment plan – more than 40 minutes with no additional training
- 2712 GP mental health treatment plan – review
- 2715 GP mental health treatment plan – 20 to 40 minutes with additional training
- 2717 GP mental health treatment plan – more than 40 minutes with additional training

Attachment B – Reform the primary health care system of chronic disease management – financial implications

Table B1: Reform the primary health care system of chronic disease management – 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
Component 1: Establishing a chronic disease management scheme													
<i>Administered</i>													
Payments to general practitioners	-350	-850	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-3,200	-10,200
Removal of existing Medicare rebates	-	94	287	391	402	414	426	438	450	463	476	772	3,840
Total – administered	-350	-756	-713	-609	-598	-586	-574	-562	-550	-537	-524	-2,428	-6,360
<i>Departmental</i>													
Department of Human Services	-3	-6	-5	-5	-5	-5	-5	-5	-5	-5	-5	-19	-53
Department of Health	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-3	-10
Total – departmental	-4	-7	-6	-6	-6	-6	-6	-6	-6	-6	-6	-22	-63
Total – Component 1	-354	-763	-719	-615	-604	-592	-580	-568	-556	-543	-530	-2,450	-6,423
Component 2: Developing departmental support capabilities													
Total – administered	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Departmental</i>													
Department of Health	-10	-3	-	-	-	-	-	-	-	-	-	-13	-13
Total – departmental	-10	-3	-	-	-	-	-	-	-	-	-	-13	-13
Total – Component 2	-10	-3	-	-	-	-	-	-	-	-	-	-13	-13
Component 3: Providing a pool of funds to Primary Health Networks to assist patients with allied health costs													
<i>Administered</i>													
Payments to Primary Health Networks	-263	-638	-750	-750	-750	-750	-750	-750	-750	-750	-750	-2,400	-7,650
Total – administered	-263	-638	-750	-750	-750	-750	-750	-750	-750	-750	-750	-2,401	-7,651
<i>Departmental</i>													
Department of Human Services	-3	-6	-7	-7	-7	-7	-7	-7	-7	-7	-7	-23	-72
Department of Health	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-3	-10
Total – departmental	-4	-7	-8	-8	-8	-8	-8	-8	-8	-8	-8	-26	-82
Total – Component 3	-267	-645	-758	-758	-758	-758	-758	-758	-758	-758	-758	-2,427	-7,733
Total	-631	-1,411	-1,477	-1,373	-1,362	-1,350	-1,338	-1,326	-1,314	-1,301	-1,288	-4,890	-14,169

(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.



Policy costing

Establish a Preventative Health Agency to support population health	
Party:	Australian Greens
Summary of proposal: <p>This proposal would establish a new agency, the National Preventative Health Commission (the Commission). The Commission would play a role in preventative and public health policy oversight, provide advice to the Commonwealth Government, and undertake health promotion, including through offering grants for health promotion initiatives.</p> <p>The funding for the Commission would be equal to the sum of funding for the Victorian Health Promotion Foundation (VicHealth) and the former Australian National Preventive Health Agency.</p> <p>All funding for the Commission would be indexed by the consumer price index (CPI) with the ratio between administered and departmental funding to remain constant.</p> <p>The proposal would have effect from 1 July 2019.</p>	

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$196 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of \$127 million and an increase in departmental expenses of \$69 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 size and structure of the Commission, and to changes in the CPI.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-48	-48	-50	-51	-196
Underlying cash balance	-48	-48	-50	-51	-196

(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 in costing this proposal that total funding for the Commission in 2019-20 would be equal to the sum of:

- the 2013-14 funding of the former Australian National Preventive Health Agency, indexed by growth in the CPI
- the 2017-18 funding of VicHealth, indexed by growth in the CPI.

Methodology

Total funding for the Commission in 2019-20 was calculated based on the sum of funding of the former Australian National Preventive Health Agency and funding of VicHealth. This total funding was then indexed by growth in the CPI.

Departmental expenses in 2019-20 are based on the 2017-18 staffing profile and funding of VicHealth. From 2020-21, administered and departmental expenses are kept as constant proportions of the Commission's total funding.

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

Data sources

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

Australian National Preventive Health Agency, 2014. *2013-14 Annual Report*, Canberra: Commonwealth of Australia.

VicHealth, 2018. *Annual Report 2017-18*, Melbourne: Victorian Health Promotion Foundation.

Attachment A – Establish a Preventative Health Agency to support population health – financial implications

Table A1: Establish a Preventative Health Agency to support population health – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
<i>Administered</i>	-31	-31	-32	-33	-127
<i>Departmental</i>	-17	-17	-18	-18	-69
Total – expenses	-48	-48	-50	-51	-196

- (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.



Policy costing

Ensure access to mental health services for everyone who needs support	
Party:	Australian Greens
Summary of proposal: This proposal would establish the following ten components relating to mental health services. <ul style="list-style-type: none">• Component 1 – Workplace mental health interventions in small businesses<ul style="list-style-type: none">– Provide ongoing funding of \$50 million per year, indexed to the consumer price index (CPI), for mental health intervention measures in small businesses. Departmental expenses are included within this capped amount.• Component 2 – Mental health in larger businesses<ul style="list-style-type: none">– Provide funding of \$50 million per year (indexed to the CPI) over four years. Departmental expenses are included within this capped amount.• Component 3 – Additional data on mental health<ul style="list-style-type: none">– Fund the Australian Bureau of Statistics (ABS) to collect more detailed data on mental health, including its effect on absenteeism and presenteeism, by conducting a National Survey of Mental Health and Wellbeing (Mental Health Survey) similar to the one conducted in 2007.• Component 4 – Peer workforce trial<ul style="list-style-type: none">– Establish a two-year national peer workforce trial with 1,000 places, from 1 July 2019. Peer workers generally refer to people with lived experience of mental illness who provide support to others.• Component 5 – Supported employment for people with a severe mental illness<ul style="list-style-type: none">– Expand the existing Individual Placement and Support Trial that is funded by the Department of Social Services to cover 10,000 additional participants. The Individual Placement and Support Trial helps young people aged 16 to 25 with mental health concerns to identify and secure employment and study opportunities. The trial would have the following timing:<ul style="list-style-type: none">◆ 2019-20 and 2020-21: 2,000 participants per year.◆ 2021-22 and 2022-23: 3,000 participants per year.– Administered funding for these places would be indexed by the CPI. The expanded trial would run for four years.• Component 6 – Assertive outreach post suicide attempt<ul style="list-style-type: none">– Provide grant funding of \$500 million over four years for programs such as hospital outreach post suicide, capped at \$125 million in each year. Departmental expenses are included within this capped amount.• Component 7 – e-Health early interventions<ul style="list-style-type: none">– Fund online cognitive behaviour therapy services for one million total users each year for four years.	

- Component 8 – Community psychosocial services
 - Provide \$150 million each year over three years for community psychosocial services.
 - ◆ Expenditure under this component would be offset by reversing the 2019-20 Budget measure *Prioritising Mental Health – Early Psychosis Youth Services*.
- Component 9 – Prevention and early intervention
 - Provide funding for a four-year trial of 50,000 children and young adults to each access 10 group sessions of cognitive behaviour therapy. The trial would fund 5,000 participants in its first year and 15,000 for each of the following three years.
- Component 10 – National youth mental health stigma strategy
 - Provide \$10 million spread evenly over four years for a national youth mental health stigma strategy.

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 \$2,937.1 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of \$2,887.0 million and an increase in departmental expenses of \$50.1 million.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is provided at [Attachment A](#). Component 1 is the only component of the proposal that would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

There is significant uncertainty associated with the financial implications of many of these components. As the Mental Health Survey has not been conducted since 2007, the financial implications for Component 3 are sensitive to the estimated cost increases of conducting the survey from 1 July 2019.

The financial implications of Component 4 are sensitive to the average salary and employee-related expenses of peer workers in the trial.

The financial implications of Component 5 are very sensitive to expected take-up rates for the expanded trial and the estimated cost per participant under the baseline, which was used to inform the cost of an expanded trial. The costing does not include any flow-on implications for the Commonwealth Government as these are too uncertain to reliably quantify. For example, financial implications arising from participants who secure ongoing employment or training and no longer require access to income support payments have not been included.

The financial implications of Component 7 are very sensitive to a number of assumptions and inputs, particularly the expected take-up rates of online cognitive behaviour therapy services under the proposal, the estimated number of existing users of online cognitive behaviour therapy services under the baseline, and the cost per recipient of delivering these services online, which can differ widely in scope and cost. The estimates would be subject to uncertainty regarding the potential flow-on impacts on the use of the Medicare Benefits Schedule, which was not possible to determine with any certainty, and these have not been included.

The financial implications of Component 8 are sensitive to the size of the specified offset, which depends on the amount of uncommitted funds available under the 2019-20 Budget measure being reversed.

The financial implications of Component 9 are sensitive to the cost of the group therapy sessions and the departmental expenses associated with conducting the trial.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-475.4	-710.1	-875.7	-868.6	-2,937.1
Underlying cash balance	-475.4	-710.1	-875.7	-868.6	-2,937.1

(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.

Key assumptions

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

Component 3 – Additional data on mental health

- The additional funding required to conduct the survey commencing from 1 July 2019 would be distributed in a manner consistent with the original funding profile.
- Ten full-time-equivalent staff would be required to run the Mental Health Survey across the survey cycle.
- Total funding for the Mental Health Survey would be split between the Department of Health and the ABS according to the split for the 2007 survey.
 - This reflects that the Department of Health is the primary user of the survey results.
- The Mental Health Survey would be conducted over a four-year survey cycle.

Component 4 – Peer workforce trial

- A competitive grants process would be used to select non-government organisations that would run the trial.
- The competitive grants process would start in the second half of 2019 and the two-year trial would run from 1 January 2020 to 31 December 2021.

Component 5 – Supported employment for people with a severe mental illness

- All additional places in the trial would be taken up.
- The administered expenses for the expanded trial are equal to the cost of the existing Individual Placement and Support Trial on a per-participant basis, indexed by the CPI.

Component 7 – e-Health early interventions

- The number of people using online cognitive behaviour therapy services provided through organisations funded by the Commonwealth Government in 2019-20 would be 104,000 and would grow to 108,000 by 2022-23 under the baseline, based on the number of users of online cognitive behaviour therapy until 2017-18 and the estimated annual average growth rate in the number of Australians aged between 15 and 64 from 2017 to 2023.
 - This estimate is based on disaggregated information provided by the Department of Health.
- Over the four years from 2019-20, the cumulative number of new users of online cognitive behaviour therapy services would be approximately half the number of Australians with a mental health disorder (that is, around 2.3 million users).
 - As use of the services is voluntary and the number of baseline users is well below the target for the first year of the proposal, the estimated users are lower than the target of one million total users per year.
 - The number of people using online cognitive behaviour therapy services in 2019-20 would be about double the current number of people using these services and would linearly increase to reach about one million users in 2022-23.
- The intervention costs and the patient costs of a cycle of online cognitive behaviour therapy services were based on relevant overseas literature.
 - The intervention costs include online platform maintenance and internet therapist costs.
 - ◆ Internet therapist costs were based on the weekly hours of therapy, the hourly therapist cost, and the weeks of service use per year.
 - The patient costs of a cycle of care include the costs of registration, diagnostic assessments, and online interventions.
 - The financial implications for the Commonwealth Government of any flow-on impacts on the use of the Medicare Benefits Schedule or Pharmaceutical Benefits Scheme items as a result of treatment have not been considered in this costing.

Component 8 – Community psychosocial services

- Consistent with the 2017-18 Budget measure *Prioritising mental health—psychosocial support services—funding*, which provided funds for Primary Health Networks for a similar purpose, additional departmental expenses would not be required to administer this funding over the 2019-20 Budget forward estimates period.
- Administered funding from 2019-20 to 2020-21 under the 2019-20 Budget measure *Prioritising Mental Health – Early Psychosis Youth Services* would be 50 per cent contractually committed in 2019-20 and 25 per cent contractually committed in 2020-21. Contractually committed funding would not be available for use as an offset. A proportional amount of the associated departmental funding would be required to administer the contracted funding, so would not be available for use as an offset.
 - A reasonably high share of contracted funds is likely because funding provided under the measure was announced shortly after the 2018-19 Mid-Year Economic and Fiscal Outlook and continued an existing area of Commonwealth Government funding.

Component 9 – Prevention and early intervention

- The trial would be rolled out through existing youth mental health services, such as Headspace, receiving Commonwealth Government funding.
 - Departmental costs are therefore only the cost of establishing, monitoring and concluding the trial.
- Costs for the 10 group sessions in the first year would be \$500 per person.
 - This is based on scaling down the Medicare schedule fee for individual 50-minute sessions with a psychologist, given the lower expected costs of group sessions.
- Annual costs per person would grow at the indexation rate of Medicare Benefits Schedule items (wage cost index 5).

Methodology

Components 1, 2, 6, 10

Departmental cost estimates for Components 1, 2 and 6 were 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.

Departmental expenses for Component 10 were as specified by the requestor.

The PBO has not undertaken any analysis to assess whether the proposed expenditures would be sufficient to achieve the objectives of the policy proposal.

Component 3

The funding profile for the 2007 Mental Health Survey was supplemented with the additional funding likely to be required to administer the survey in 2019.

Component 4

Administered expenses represent the cost of the grant payments. Grant payment amounts were estimated as the sum of salaries, employee-related expenses, and other administrative costs.

- Salaries and employee-related expenses were calculated by multiplying estimated average wages, superannuation, and employment-related expenses by the specified number of placements.
 - Peer worker wages were estimated based on the New South Wales' Ministry of Health 2015 wage determination for a diversional therapist without a diploma.
 - The superannuation rate is 12 per cent, consistent with the *First State Superannuation Act 1992*.
 - Employment-related expenses, such as training and human resources support, were based on the average employment-related expense for an Australian Public Service employee.
- Costs of administering the trial were based on administrative funding allocated for a similar trial involving the set-up of a workforce.

Departmental expenses represent the cost of selecting and monitoring non-government organisations that would administer the trial, and were based on the departmental expenses of managing a similar grants program.

Component 5

Administered and departmental expenses for the expanded trial were estimated based on the existing Individual Placement and Support Trial, scaled to the specified number of participants and indexed by the CPI (administered expenses) or the relevant wage cost index net of the efficiency dividend (departmental expenses).

Component 7

Administered expenses were estimated by multiplying the estimated number of recipients each year by the cost of providing online cognitive behaviour therapy services per recipient.

- The estimated recipients each year were calculated using the assumption above, resulting in a total of around 852,000 new recipients in the final year of the proposal.
- The cost of providing online cognitive behaviour therapy services were calculated using relevant data from international research, converted to Australian dollars using average exchange rates from 2016-17 to 2018-19, and indexed by the CPI.
- The number of Australians receiving online cognitive behaviour therapy services through seven organisations funded by the Commonwealth Government under the baseline was estimated from information reported to the Department of Health by those organisations over 2015-16 to 2017-18, and on the Commonwealth Government's funding to expand eHeadspace, which was announced in 2018.
 - The content and quality of available data varies by organisation, and the baseline number of users was estimated by applying assumptions for each organisation.
- Departmental expenses were based on a similar budget measure that provided funding for mental health.

Component 8

The net administered expenses of this component are equal to the specified expenses less the funding available from reversal of the 2019-20 Budget measure to be used as an offset.

Component 9

The cost per person for funding ten group therapy sessions was multiplied by the specified number of people in each year of the trial. Departmental costs were estimated assuming a small team would oversee the program, with higher costs in the establishment and final years.

All components

Administered expense estimates of Component 7 are rounded to the nearest \$10 million. All other administered expense estimates are rounded to the nearest \$1 million. All departmental expense estimates are rounded to the nearest \$100,000.

Data sources

Australian Broadcasting Corporation, 2018. *Prime Minister Scott Morrison announces \$52m extra funding for Headspace* [Online] Available at: <https://amp.abc.net.au/article/10375054> [Accessed 14.03.2019].

Australian Bureau of Statistics, 2018. *4364.0.55.001 – National Health Survey: First Results, 2017-18 – Mental and Behavioural Conditions* [Online] Available at: <https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/4364.0.55.001~2017-18~Main%20Features~Mental%20and%20behavioural%20conditions~70> [Accessed 14.03.2019].

Commonwealth of Australia, 2018. *2017-18 Budget*, Canberra: Commonwealth of Australia.

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

El Alaoui, S., Hedman-Lagerlöf, et al., 2017. *Does internet-based cognitive behaviour therapy reduce healthcare costs and resource use in treatment of social anxiety disorder? A cost-minimisation analysis conducted alongside a randomised controlled trial*, *BMJ Open* [Online] Available at: <http://dx.doi.org/10.1136/bmjopen-2017-017053> [Accessed 22.02.2019].

Lalouni, M., Ljótsson, B., et al., 2018. *Clinical and Cost Effectiveness of Online Cognitive Behavioural Therapy in Children with Functional Abdominal Pain Disorders*, *Clinical Gastroenterology and Hepatology* [Online] Available at: <https://doi.org/10.1016/j.cgh.2018.11.043> [Accessed 04.03.2019].

Department of Health, 2018. *Medicare Benefits Schedule – Item 80010* [Online] Available at: <http://www9.health.gov.au/mbs/fullDisplay.cfm?type=item&q=80010&qt=item&criteria=clinical%20psychologist> [Accessed 17.08.2018].

Mental Health Australia and KPMG, 2018. *Investing to Save – The Economic Benefits for Australia of Investment in Mental Health Reform* [Online] Available at: https://mhaustralia.org/sites/default/files/docs/investing_to_save_may_2018_-_kpmg_mental_health_australia.pdf [Accessed 07.06.2018].

New South Wales Government, 2017. *First State Superannuation Act 1992 No 100* [Online] Available at: <https://legislation.nsw.gov.au/#/view/act/1992/100/part2/sec8> [Accessed 27.08.2018].

New South Wales Ministry of Health, 2015. *Determination No. 15 of 2015 – Rates of Pay and Conditions of Employment – Various Allied Health Assistant Classification* [Online] Available at: <https://www.health.nsw.gov.au/careers/conditions/Awards/technical-assistant-grade1.pdf> [Accessed 27.08.2018].

The ABS provided historical cost information for running the Mental Health Survey in 2007 and estimates of significant differences in the cost of running the survey in the future.

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

The Department of Health provided historical information on organisations funded by the Commonwealth Government and delivering online cognitive behaviour therapy services.

The Department of the Treasury provided Australian population historical figures and projections as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of the Treasury provided annual Australian exchange rates in 2016-17 as at the 2018-19 Budget.

The Department of the Treasury provided annual Australian exchange rates from 2017-18 to 2018-19 as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Jobs and Small Business provided information on the *Regional Employment Trials* program as at 24 July 2018.

The Department of Social Services provided information on the Individual Placement and Support Trial.

Attachment A – Ensure access to mental health services for everyone who needs support – financial implications

Table A1: Ensure access to mental health services for everyone who needs support – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
<i>Administered</i>					
<i>Component 1 – Workplace mental health interventions in small businesses</i>	-48.0	-50.0	-51.0	-52.0	-200.0
<i>Component 2 – Mental health in larger businesses</i>	-48.0	-50.0	-51.0	-52.0	-200.0
<i>Component 3 – Additional data on mental health</i>	-	-	-	-	-
<i>Component 4 – Peer workforce trial</i>	-41.0	-82.0	-41.0	-	-164.0
<i>Component 5 – Supported employment for people with a severe mental illness</i>	-9.0	-10.0	-14.0	-15.0	-48.0
<i>Component 6 – Assertive outreach post suicide attempt</i>	-123.0	-123.0	-123.0	-123.0	-491.0
<i>Component 7 – e-Health early interventions</i>	-70.0	-240.0	-420.0	-610.0	-1,350.0
<i>Component 8 – Community psychosocial services</i>	-123.0	-136.0	-150.0	-	-409.0
<i>Component 9 – Prevention and early intervention</i>	-2.0	-8.0	-8.0	-7.0	-25.0
<i>Component 10 – National youth mental health stigma strategy</i>	-	-	-	-	-
Total – administered	-464.0	-699.0	-858.0	-859.0	-2,887.0
<i>Departmental</i>					
<i>Component 1 – Workplace mental health interventions in small businesses</i>	-2.4	-1.5	-1.5	-1.5	-7.0
<i>Component 2 – Mental health in larger businesses</i>	-2.4	-1.5	-1.5	-1.5	-7.0
<i>Component 3 – Additional data on mental health</i>	-0.6	-2.4	-9.3	-0.7	-13.1
<i>Component 4 – Peer workforce trial</i>	-0.5	-0.6	-0.1	-	-1.2
<i>Component 5 – Supported employment for people with a severe mental illness</i>	-0.4	-0.4	-0.6	-0.6	-1.9
<i>Component 6 – Assertive outreach post suicide attempt</i>	-2.1	-2.1	-2.1	-2.2	-8.5
<i>Component 7 – e-Health early interventions</i>	-0.1	-0.1	-0.1	-0.2	-0.5
<i>Component 8 – Community psychosocial services</i>	..	..	-	-	..
<i>Component 9 – Prevention and early intervention</i>	-0.4	..	..	-0.4	-0.9
<i>Component 10 – National youth mental health stigma strategy</i>	-2.5	-2.5	-2.5	-2.5	-10.0
Total – departmental	-11.4	-11.1	-17.7	-9.6	-50.1
Total – expenses	-475.4	-710.1	-875.7	-868.6	-2,937.1

(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.

.. Not zero but rounded to zero.

- Indicates nil.



Policy costing

Fully fund opioid substitution therapies	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>The Commonwealth Government would provide dedicated funding to state and territory governments to fund the dispensing fees for all patients receiving opioid dependence treatment (methadone, buprenorphine and buprenorphine-naloxone) and any associated administration costs.</p> <p>The dispensing fee funding would be a standardised amount paid by states and territories to dosing point sites (mostly community pharmacies) for each dose of opioid dependence treatment.</p> <p>Currently, the Commonwealth Government funds the pharmaceutical used for the treatment of opioid dependence through the Pharmaceutical Benefits Scheme (PBS), but not the costs for dispensing these drugs.</p> <p>The proposal would have effect from 1 July 2019.</p>	

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$614 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of \$613 million and an increase in departmental expenses of \$1 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.

Departmental expenses for the Department of Human Services (DHS) to administer the increased number of PBS and Medicare Benefits Schedule (MBS) transactions that would result from the behavioural response to the proposal have been included. Departmental expenses for the Department of Health to administer the proposal are not expected to be significant and have not been included.

The estimated financial implications are sensitive to the assumed number of opioid dependence treatment patients, including the number of additional patients in any year as a result of the proposal, and the dispensing fee.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-136	-150	-159	-167	-614
Underlying cash balance	-136	-150	-159	-167	-614

(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.

- In the absence of policy change, the number of opioid dependence treatment patients would increase in line with the average annual increase over the period 2013 to 2017. This increase is about 5 per cent each year.
- The proportion of opioid dependence treatment patients receiving each treatment type would remain constant relative to their proportions in 2017.
- There would be no significant variation across the year in the number of opioid dependence treatment doses dispensed each day.
- All opioid dependence treatment patients would be dispensed a dose each day.
- In response to the Commonwealth Government assuming responsibility for funding dispensing fees, the number of opioid dependence treatment patients would increase by around one-third relative to the baseline. The bulk of this increase would occur in the first few years after implementation of the proposal.
 - This is consistent with recent peer-reviewed Australian research and accounts for both an increase in average treatment duration and an increase in the number of patients commencing opioid dependence treatment each year as a result of the lower out-of-pocket costs.
- The daily dispensing fee per dose in the first year of the proposal would be \$5.
- The opioid dependence treatments prescribed are the most convenient formulations of each treatment.
- The administrative expense per opioid dependence treatment dose paid to the states and territories by the Commonwealth Government would be the same as the DHS unit price for PBS prescriptions.
- The average general practitioner (GP) consultation to obtain a prescription would be a consultation of less than 20 minutes, and these consultations would be bulk-billed.
 - The average number of GP consultations per opioid dependence treatment patient each year would be 24.

Methodology

The estimated financial implications of this proposal are the sum of:

- payments to the state and territory governments for the dispensing fees and administration expenses
- MBS expenses for the increased number of opioid dependence treatment patients requiring GP visits to receive prescriptions for treatment
- PBS expenses for the increased level of opioid dependence treatment consumption
- departmental expenses to process the additional MBS and PBS claims from new opioid dependence treatment patients.

Payments to state and territory governments

The annual payment to state and territory governments for dispensing fees was calculated by multiplying the estimated number of opioid dependence treatment patients each day by the dispensing fee per patient and the number of days in a year.

- The daily dispensing fee was indexed by the consumer price index from the policy start date. This is consistent with the indexation of relevant fees for community pharmacies as per the Sixth Community Pharmacy Agreement.
- The historical number of patients receiving opioid dependence treatment each day in the absence of the proposal was sourced from the Australian Institute of Health and Welfare. This number of patients was then projected by applying the assumptions outlined above.

The administration expenses paid by the Commonwealth Government to state and territory governments were calculated by multiplying the estimated number of opioid dependence treatment patients each day by the assumed per-dose administration cost and the number of days in a year.

MBS expenses

The additional annual MBS expenses were calculated by multiplying the additional number of opioid dependence treatment patients by the average number of GP consultations per opioid dependence treatment patient each year and the assumed cost per GP consultation, including the GP bulk-billing incentive.

The average number of GP consultations each year for opioid dependence treatment patients was based on modelling by the Australian National Council on Drugs.

PBS expenses

The additional PBS expenses were calculated by multiplying the additional number of opioid dependence treatment patients by the average PBS cost per opioid dependence treatment dose and the number of days in a year.

Departmental expenses

Departmental expenses for DHS to administer the additional MBS and PBS expenditure have been calculated based on DHS unit prices.

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

Data sources

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The Department of Human Services provided annual unit payment administration costs as at the 2019-20 Budget.

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

Attachment A – Fully fund opioid substitution therapies – financial implications

Table A1: Fully fund opioid substitution therapies – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
<i>Administered</i>					
<i>Payments to states and territories</i>	-114	-122	-128	-134	-498
<i>Pharmaceutical Benefits Scheme</i>	-13	-16	-18	-19	-66
<i>Medicare Benefits Schedule</i>	-9	-12	-13	-14	-49
Total – administered	-136	-150	-159	-167	-613
<i>Departmental</i>					
<i>Department of Human Services</i>	..	..	..	..	-1
Total – departmental	..	..	..	..	-1
Total – expenses	-136	-150	-159	-167	-614

(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.



Policy costing

Expand safe injecting facilities	
Party:	Australian Greens
Summary of proposal: This proposal has two components to establish medically supervised injecting centres. <ul style="list-style-type: none">• Component 1: Fund a scoping study to determine the areas of greatest need, and suitable locations and services for new medically supervised injecting centres in Australian capital cities.• Component 2: Establish one new medically supervised injecting centre in each capital city in the following financial years:<ul style="list-style-type: none">– 2020-21: Sydney, Melbourne, Brisbane, Darwin– 2021-22: Adelaide, Perth, Canberra, Hobart. The centres would be funded on an ongoing basis, and would be closely based on the existing Sydney Medically Supervised Injecting Centre including the number of hours of operation, staffing, services offered and size.	

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$37.3 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of \$34.8 million and an increase in departmental expenses of \$2.5 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.

The estimated financial implications of Component 1 are sensitive to the duration, scope and staffing structure of the scoping study, including the assumption that the study for each state and territory could be run through existing state and territory offices of the Department of Health.

The estimated financial implications of Component 2 are sensitive to the establishment and ongoing costs of operating the medically supervised injecting centres in each capital city, and the assumption that community consultation in each location is concluded such that each centre is established on the timeline specified in this proposal.

The components are also sensitive to changes in the consumer price index and to changes in wage indexation parameters.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-0.8	-10.2	-13.1	-13.3	-37.3
Underlying cash balance	-0.8	-10.2	-13.1	-13.3	-37.3

(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.

Key assumptions

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

Component 1

- Scoping studies for all centres would be conducted in the financial year prior to their establishment and all planning and consultation requirements would be completed in time for each centre to start in the year specified.
- Scoping work for each capital city would be undertaken by staff in each existing state and territory office of the Department of Health, coordinated by a small team based in the department's headquarters in Canberra.

Component 2

- The cost of leasing, fitting out and maintaining the centres would be equal to representative commercial property costs for each capital city, and would grow by the consumer price index.
 - Fitout costs would be one-off when establishing the site, while maintenance costs would be ongoing.
- Demand for services, and therefore labour costs for each centre, would be proportional to those in the existing Sydney centre, grown by the wage price index.
 - In particular, demand for services in the second Sydney centre, and therefore staffing structure, would be the same as at the existing centre.
- Ongoing departmental resources would be required to monitor and review the ongoing Commonwealth Government funding provided to the centres.

Methodology

Component 1

The departmental expenses of Component 1 are based on the assumed staffing requirements to conduct the scoping studies in 2019-20 and 2020-21.

Component 2

The financial implications for this component are the sum of administered and departmental expenses. Estimated administered expenses comprise property and labour costs.

- Labour costs for all medically supervised injecting centres are based on the historical labour costs of the existing Sydney Medically Supervised Injecting Centre from 2000-01 to 2006-07, and the estimated labour costs for the existing Sydney Medically Supervised Injecting Centre in 2016-17, adjusted for relative populations and grown by the wage price index as described above.
- The cost of leasing, outfitting and maintaining the sites has been estimated based on the policy specifications and assumptions outlined above.

Departmental expenses for the Department of Health for Component 2 are based on the assumed staffing profile required to monitor and review the establishment and ongoing operation of each medically supervised injecting centre. These are indexed by the relevant wage cost index net of the efficiency dividend, consistent with the Department of Finance's costing practices.

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

Data sources

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Attachment A – Expand safe injecting facilities – financial implications

Table A1: Expand safe injecting facilities – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
<i>Administered</i>					
<i>Component 1 – Scoping study</i>	-	-	-	-	-
<i>Component 2 – Fund establishment and operation of new medical injecting centres</i>	-	-9.0	-12.7	-13.1	-34.8
Total – administered	-	-9.0	-12.7	-13.1	-34.8
<i>Departmental</i>					
<i>Component 1 – Scoping study</i>	-0.8	-0.8	-	-	-1.5
<i>Component 2 – Fund establishment and operation of new medical injecting centres</i>	-	-0.4	-0.4	-0.2	-1.0
Total – departmental	-0.8	-1.2	-0.4	-0.2	-2.5
Total – expenses	-0.8	-10.2	-13.1	-13.3	-37.3

(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.

- Indicates nil.



Policy costing

Legalise, tax and regulate the trade of cannabis	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>This proposal would legalise the production and sale of recreational cannabis in Australia through a tightly regulated model, as follows.</p> <ul style="list-style-type: none">• A new agency, the Australian Cannabis Agency (the Agency), would be established to oversee the legalisation and regulation of recreational cannabis. The Agency would act as the sole wholesaler between producers and retail outlets.• The Agency would set the wholesale price for cannabis, based initially on the Australian street price for cannabis. The price would then fluctuate according to market forces.• The Agency would be responsible for issuing production licences to cultivators and sale licences to private retail outlets.• Application fees for production licences would be set at \$3,500 per application. Annual fees for producers would vary, based on the size of their plant canopies. Tier 1 producers, whose plant canopies are 2,000 square feet or less, would be charged \$1,750 per year. Tier 2 producers, whose plant canopies are between 2,000 and 10,000 square feet, would be charged \$2,000 per year. Tier 3 producers, whose plant canopies are over 10,000 square feet, would be charged \$2,300 per year.• Application fees for retail licences would be set at \$1,500 per application and annual fees for retail outlets would be set at \$1,000 per year.• Sales of recreational cannabis would be restricted to individuals over 18 years of age, with no restrictions on the amount individuals could purchase.• Sales of recreational cannabis to overseas visitors would be permitted.• Individuals would be permitted to grow up to six plants for personal use. Imports of cannabis into Australia would remain illegal.• Sales of recreational cannabis would attract the goods and services tax (GST) as well as an excise.• An excise rate of 25 per cent would apply on all GST-inclusive sales of recreational cannabis.• Penalties would apply for the sale of cannabis by retail outlets to individuals under 18 years of age at similar rates to the penalties for the sale of alcohol to individuals under 18 years of age. <p>The proposal would have effect from 1 July 2019.</p>	

Costing overview

This proposal would be expected to increase the fiscal balance by \$4,181 million and increase the underlying cash balance by \$4,041 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, this impact reflects an increase in revenue of \$5,403 million, offset by a net increase in expenses of \$1,222 million.

The proposal would 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 provided at [Attachment A](#).

The departmental expenses of this costing include an increase in expenditure for establishing the Australian Cannabis Agency and for the Agency to regulate the recreational cannabis market under the proposal.

As a result of the reduced requirement for cannabis law enforcement, the proposal would be expected to result in a decrease in departmental expenses for the Australian Federal Police (AFP).

Departmental expenses for the Australian Taxation Office and the Department of Home Affairs to administer the proposed taxes on recreational cannabis sales are not expected to be material as it would be expected that these taxes could be administered through currently established systems and processes.

The fiscal and underlying cash balances differ because of the difference in timing between when tax revenue is recognised and when tax receipts are collected.

There is a high level of uncertainty in this costing as there is limited information available to estimate the level of consumption of recreational cannabis or the market price. There is also uncertainty around how consumption and price would change over the period to 2029-30 and any behavioural responses as a result of the proposal. Assumptions are based on analysis of countries and states where legalisation of recreational cannabis has occurred, however the actual outcomes may differ significantly due to differences in policy specifications and market characteristics between Australia and overseas. The costing estimates could vary significantly with changes in the assumptions.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	9	1,547	1,377	1,247	4,181
Underlying cash balance	9	1,377	1,387	1,257	4,041

(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.

Demand

- The proportion of the Australian adult population that currently consumes recreational cannabis on a regular basis is around 10 per cent.

- Recreational cannabis consumers would purchase three grams per week on average.
- The legalisation of cannabis would result in a 15 per cent increase in demand for cannabis products in the first year. Demand would continue to grow in line with population growth after the first year.

Sales

- Sales of recreational cannabis to overseas visitors would account for around 10 per cent of total sales.
- The price of recreational cannabis and the profit margin of producers would initially decline as supply increases as a result of the proposal.

Production

- The proposal would not be legislated and receive royal assent to give enough time for producers to cultivate cannabis plants ahead of the policy start date. Sales of Australian-grown cannabis would therefore be expected to commence in 2020-21.
- The average harvest per square foot of cannabis plant canopy would be 50 grams.
- The market share of producers would be:
 - Tier 3 producers would account for around half the market
 - Tier 2 producers would account for around three-eighths of the market
 - Tier 1 producers would account for around one-eighth of the market.
- The number of production licences issued would grow over time as more suppliers enter the market.
- The number of retail sales licences issued would grow over time with increased demand for recreational cannabis.
- The average cost of producing cannabis in Australia would be around \$4 per gram in 2019-20, based on data from Canada and the United States.
- The cost of producing cannabis in Australia would grow with the consumer price index (CPI).
- The profit margins of producers and retailers of recreational cannabis would be similar to those of the tobacco industry.
- Producers would cover the costs of manufacturing, packaging and shipping of recreational cannabis products.

Other assumptions

- The financial implications related to the consumption of cannabis plants for purposes other than recreational use would not be material.
- Legalising cannabis would have no impact on alcohol and tobacco excise revenue.
- Departmental expense estimates for the Agency are based on budgets of agencies with similar regulatory functions.
- The AFP would re-allocate a proportion of the resources currently directed at cannabis law enforcement to strengthen the law enforcement of other illicit substances.
- No tax is currently being paid on the income derived from the illegal trading of cannabis.

- Penalties for the sale of cannabis to individuals under 18 years of age would be administered by state governments.

Methodology

The magnitude of the annual sales of cannabis under the proposal was calculated by multiplying the expected number of cannabis users per year by the estimated average amount consumed per year. This amount was then projected to 2029-30 using the above assumptions, including adjustments for behavioural responses identified above.

The initial wholesale price set by the Agency was calculated based on the current street price of recreational cannabis and the proposed excise rate.

The GST impact was calculated by applying the GST rate to the estimated total pre-tax sales of recreational cannabis.

The financial impact of the proposed cannabis excise was estimated by applying the excise rate of 25 per cent to the estimated total GST-inclusive retail sales.

The company tax impact was calculated by applying the relevant company tax rate to the estimated total net profits of producers and retailers.

The number of applications for cannabis production licences was estimated by comparing the expected demand for recreational cannabis with the expected yield of cannabis plantations.

Departmental expense estimates for the AFP are based on the AFP's current budget for illicit drug law enforcement and the proportion of all illicit drug arrests related to cannabis.

The costing has taken into account the timing of tax collections.

Excise, GST and company tax estimates have been rounded to the nearest \$10 million.

Departmental estimates have been rounded to the nearest \$1 million.

Data sources

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Attachment A – Legalise, tax and regulate the trade of cannabis – financial implications

Table A1: Legalise, tax and regulate the trade of cannabis – 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													
<i>Cannabis excise</i>	-	1,180	1,110	1,030	950	880	910	940	970	1,000	1,030	3,330	10,000
<i>Company tax</i>	-	330	270	220	170	130	130	130	140	140	150	820	1,810
<i>GST</i>	-	430	400	370	350	320	340	350	350	380	380	1,200	3,660
<i>Australian Cannabis Agency</i>	22	10	10	10	11	11	11	11	12	12	12	53	133
Total – revenue	22	1,950	1,790	1,630	1,481	1,341	1,391	1,431	1,472	1,532	1,572	5,403	15,603
Expenses													
Administered													
<i>GST to states</i>	-	-390	-400	-370	-360	-320	-340	-350	-350	-370	-380	-1,170	-3,630
Total – administered	-	-390	-400	-370	-360	-320	-340	-350	-350	-370	-380	-1,170	-3,630
Departmental													
<i>Australian Cannabis Agency</i>	-45	-45	-45	-45	-46	-46	-46	-47	-47	-47	-48	-180	-507
<i>Australian Federal Police</i>	32	32	32	32	32	33	33	34	34	35	35	128	364
Total – departmental	-13	-13	-13	-13	-14	-13	-13	-13	-13	-12	-13	-52	-143
Total – expenses	-13	-403	-413	-383	-374	-333	-353	-363	-363	-382	-393	-1,222	-3,773
Total	9	1,547	1,377	1,247	1,107	1,008	1,038	1,068	1,109	1,150	1,179	4,181	11,830

(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: Legalise, tax and regulate the trade of cannabis – 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													
<i>Cannabis excise</i>	-	1,080	1,120	1,040	950	880	910	940	970	1,000	1,030	3,240	9,920
<i>Company tax</i>	-	300	270	220	180	130	130	130	140	140	150	800	1,800
<i>GST</i>	-	390	400	370	360	320	340	350	350	370	380	1,170	3,630
<i>Australian Cannabis Agency</i>	22	10	10	10	11	11	11	11	12	12	12	53	133
Total – receipts	22	1,780	1,800	1,640	1,501	1,341	1,391	1,431	1,472	1,522	1,572	5,263	15,483
Payments													
<i>Administered</i>													
<i>GST to states</i>	-	-390	-400	-370	-360	-320	-340	-350	-350	-370	-380	-1,170	-3,630
Total – administered	-	-390	-400	-370	-360	-320	-340	-350	-350	-370	-380	-1,170	-3,630
<i>Departmental</i>													
<i>Australian Cannabis Agency</i>	-45	-45	-45	-45	-46	-46	-46	-47	-47	-47	-48	-180	-507
<i>Australian Federal Police</i>	32	32	32	32	32	33	33	34	34	35	35	128	364
Total – departmental	-13	-13	-13	-13	-14	-13	-13	-13	-13	-12	-13	-52	-143
Total – payments	-13	-403	-413	-383	-374	-333	-353	-363	-363	-382	-393	-1,222	-3,773
Total	9	1,377	1,387	1,257	1,127	1,008	1,038	1,068	1,109	1,140	1,179	4,041	11,710

- (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.



Policy costing

Set aside funding to trial pill testing at festivals to save lives

Party:

Australian Greens

Summary of proposal:

The proposal would involve three components.

- Component 1: Establish a drug testing agency with a number of drug testing sites in capital cities and regional hubs. The number of drug testing sites would be as follows.

- 2019-20: six drug testing sites in capital cities
- 2020-21: 10 drug testing sites in capital cities
- 2021-22: 12 drug testing sites in capital cities, two in regional hubs
- 2022-23 and beyond: 14 drug testing sites in capital cities, four in regional hubs.

Each site would occupy 50 square metres of commercial space outside of public thoroughfares. Each site would operate three nights per week from 4:00pm to 2:00am, with an additional hour per night for opening and closing operations.

Each site would employ two alcohol and drug workers (Certificate IV qualified), one administrative officer and one security guard. The wages of staff would be indexed each year to the wage price index.

- Component 2: Establish free pill testing services at Australian music festivals.
- Component 3: Commit \$140,000 each year, indexed to the wage price index from 2020-21, for data collection, analysis and communication of results of the drug tests. The Department of Health would be responsible for coordinating these function of the drug testing sites.

The proposal would have effect from 1 July 2019 and would be ongoing.

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by \$23.0 million over the 2019-20 Budget forward estimates period. This impact 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 beyond the 2019-20 Budget forward estimates period.

This costing is sensitive to changes in the costs of labour and capital, as well as costs related to leasing, fitting out and maintaining the drug testing sites, including those at festivals.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-3.6	-4.8	-6.3	-8.1	-23.0
Underlying cash balance	-3.6	-4.8	-6.3	-8.1	-23.0

(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.

Component 1 – Drug testing agency

- Labour costs for alcohol and drug workers, administrative officers and security officers reflect prevailing market rates. These costs are constant across drug testing sites, and would grow in line with the wage price index.
- The cost of leasing, fitting out and maintaining the agency sites reflects current market research conducted by the PBO and the locations specified in the proposal.
 - The cost of leasing the sites is higher in capital cities than regional hubs.
 - Fitout costs are one-off when establishing the site, while maintenance costs are ongoing and grow in line with the consumer price index.
 - Specialised equipment costs are not expected to fluctuate materially over time.

Component 2 – Pill testing at festivals

- The equipment used for testing pills at festivals would be borrowed from the drug testing agency.
- The costs of setting up drug testing sites at festivals would include furniture, staff travel, accommodation, and disposal fees. These costs would grow in line with the consumer price index.

Methodology

The cost of staffing, leasing, fitting out and maintaining the sites has been estimated based on the policy specifications and assumptions outlined above.

Departmental costs associated with collecting, analysing and communicating the results of drug tests from the testing sites have been set based on the policy specification and grown in line with the wage price index. The efficiency dividend has not been applied to these departmental costs.

The per-attendee cost of free pill testing at festivals was estimated using information from the pill testing pilot report.

The number of contemporary music festival attendees was estimated using data from Live Performance Australia.

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

Data sources

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

Colliers International, 2019. *CBD Office Research and Forecast Report H1 2019*. [Online] Available at: https://www.colliers.com.au/find_research/office/cbd_office_rfr_h1_2019/ [Accessed 04.04.2019].

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Attachment A – Set aside funding to trial pill testing at festivals to save lives – financial implications

Table A1: Set aside funding to trial pill testing at festivals to save lives – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
Departmental					
<i>Component 1 – Drug testing agency</i>	-2.3	-3.5	-5.0	-6.6	-17.5
<i>Component 2 – Pill testing at festivals</i>	-1.2	-1.2	-1.2	-1.3	-4.9
<i>Component 3 – Data collection and communication (Department of Health)</i>	-0.1	-0.1	-0.1	-0.2	-0.6
Total – expenses	-3.6	-4.8	-6.3	-8.1	-23.0

(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.



Policy costing

Guarantee access to services including social, disability, and mental health services, and aged care	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>This proposal has two components.</p> <ul style="list-style-type: none"> • Component 1: Reverse the 2019-20 Budget measure <i>Changing the Social Security Income Assessment Model</i>. • Component 2: Establish a taskforce to work across the Australian Public Service, and with state and territory counterparts, to establish community service guarantees aimed at improving the provision of income support and social services across Australia. <ul style="list-style-type: none"> – The taskforce would receive capped funding of \$20 million per year, increased annually in line with the consumer price index, and would be funded until the end of 2022-23. <p>The proposal would commence from 1 July 2019.</p>	

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$2,172 million over the 2019-20 Budget forward estimates period. This reflects an increase in administered expenses of \$2,118 million and an increase in departmental expenses of \$54 million over this period.

This proposal would have an ongoing impact beyond the 2019-20 Budget forward estimates period. The financial implications of the proposal over the period to 2029-30 are included at [Attachment A](#).

The financial implications of this proposal are sensitive to projections of future expenditure on social security payments.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	1	-667	-728	-777	-2,172
Underlying cash balance	1	-667	-728	-777	-2,172

(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 assumed that the costing's financial implications would grow in line with growth in the underlying social security payments over the medium term.

Methodology

The financial implications of reversing the 2019-20 Budget measure *Changing the Social Security Income Assessment Model* were based on the cost of the measure over the 2019-20 Budget forward estimates, projected over the medium term based on projections of the relevant social security payments.

The financial implications of the taskforce component of this proposal were calculated by growing the funding allocated to the base year of 2019-20 out to 2022-23, using the consumer price index.

- The PBO has not undertaken any analysis to confirm whether the proposed capped expenditure for the taskforce would be sufficient to achieve the objective of the policy proposal.

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

Data sources

The Department of Social Services provided details of the 2019-20 Budget measure.

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

Attachment A – Guarantee access to services including social, disability, and mental health services, and aged care – financial implications

Table A1: Guarantee access to services including social, disability, and mental health services, and aged care – 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													
<i>Administered</i>													
<i>Reversal of measure</i>	-	-656	-707	-756	-796	-831	-869	-908	-950	-994	-1,038	-2,118	-8,505
<i>Implement taskforce</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – administered	-	-656	-707	-756	-796	-831	-869	-908	-950	-994	-1,038	-2,118	-8,505
<i>Departmental</i>													
<i>Reversal of measure</i>	21	9	..	-	-	-	-	-	-	-	-	29	29
<i>Implement taskforce</i>	-20	-20	-21	-21	-	-	-	-	-	-	-	-83	-83
Total – departmental	1	-11	-21	-21	-	-	-	-	-	-	-	-54	-54
Total – expenses	1	-667	-728	-777	-796	-831	-869	-908	-950	-994	-1,038	-2,172	-8,559

- (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.



Policy costing

Tuition-free TAFE and university, boost university funding, and related measures

Party: Australian Greens

Summary of proposal:

This proposal consists of five components. It would be announced immediately following the 2019 general election and would have effect from 1 July 2019.

- Component 1: University tuition fees

Tuition for Australian citizens commencing undergraduate studies at public universities would be funded by the Commonwealth Government without requiring payments by students. Students who have held a Commonwealth-supported place within the two years prior to 1 July 2019 would still be required to pay for their tuition.

- Students would still be responsible for payment of the student services and amenity fee and the costs of overseas placements. This part of the proposal would not apply to Study Assist Higher Education Loan Program (SA-HELP) loans, and Overseas Study Higher Education Loan Program (OS-HELP) loans will be retained to assist with these costs.

The Commonwealth Grant Scheme (CGS) funding calculation for undergraduate places would be amended to remove the aggregate CGS funding cap so that each additional student results in additional CGS funding for the university. Medical undergraduate places would remain allocated.

Funding per student provided to universities would also increase by 10 per cent under the proposal. This increase is in relation to both the CGS contribution and the portion of funding that, under current policy settings, would be provided as contributions from students.

- Component 2: Loan repayment thresholds

The Higher Education Loan Program (HELP), vocational education and training (VET) student loan, Student Start-Up Loan (SSL), ABSTUDY SSL and Trade Support Loan (TSL) repayment thresholds would be increased as specified at [Attachment A](#). These thresholds and the Student Financial Supplement Scheme (SFSS) thresholds would be indexed annually by growth in the median wage.

- Component 3: TAFE grants

Grants would be provided to states and territories to cover the costs of tuition at TAFE institutions for courses at the Certificate Level 1 or above, up to a per-hour tuition cost cap. The cap would be set based on the average operating cost per delivery hour for state and territory government VET providers in 2017, indexed by the consumer price index (CPI) to the policy start date, and indexed annually by the CPI thereafter.

The Commonwealth Government would reduce its financial contributions under the National Agreement for Skills and Workforce Development (the National Agreement) by an amount equal to these annual tuition grants (or to zero if tuition grants exceed National Agreement payments).

Grants would be available to all Australian citizens and permanent residents who have not been enrolled in a VET course through a TAFE or any other provider within the two years prior to the proposal's start date.

VET student loans for students enrolled at eligible courses and institutions outside of the TAFE system would remain unchanged.

- Component 4: TAFE state grants program

Fifty per cent of the funding currently committed to the states and territories under the National Agreement would be redirected to states and territories such that:

- states and territories would continue to receive 40 per cent of the current value of their National Agreement payments
- 10 per cent of the National Agreement payments would be allocated based on the formula specified at [Attachment B](#).

- Component 5: Student support payments

For the following Commonwealth Government student support payments, the maximum single payment rate would increase by \$75 a week and the indexation arrangements changed to those used to index the age pension:

- Youth Allowance (Student and Apprentice)
- Austudy
- ABSTUDY (Tertiary).

The personal income test thresholds for single rate recipients of the above payments would also increase by \$100 a week.

This component would also extend existing Austudy payments at the new higher rate to all single full time postgraduate students taking any courses without changing the current eligibility criteria.

This component is intended to operate in conjunction with a proposal to increase payment rates for single recipients of other Commonwealth Government transfer payments. Consequently, the proposal is not intended to induce any switching between benefits.

Costing overview

The proposal would be expected to decrease the fiscal balance by \$34,840 million, the underlying cash balance by \$35,740 million, and decrease the headline cash balance by \$29,340 million over the 2019-20 Budget forward estimates period.

The proposal would be expected to have a significant ongoing impact beyond the 2019-20 Budget forward estimates period. The disaggregated impacts of the proposal over the period to 2029-30 are provided at [Attachment C](#). The payments made to the states and territories as a result of Component 4 of the proposal (TAFE state grants program) over the period from 2019-20 to 2029-30 are provided at [Attachment D](#).

All components of the proposal interact, except for Component 4. Under Component 1, undergraduate courses in public universities would be free for Australian citizens commencing studies from 1 July 2019, so those students would no longer accumulate a HELP debt and hence would not be required to make loan repayments. This significantly reduces the cost of increasing the repayment thresholds under Component 2. Similarly, under Component 3, VET courses in TAFEs would be free or near free for Australian citizens and permanent residents commencing studies from 1 July 2019, so those students would no longer accumulate a VET student loan and hence would not be required to make loan repayments. Components 1 to 3 are estimated to result in an ongoing increase in the student population of approximately one per cent. This would result in a small and insignificant increase in student support payments over the costing period (Component 5).

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.

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 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 HELP, is included at [Attachment E](#).

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

The estimated financial implications of Components 1, 2 and 3 are subject to a high degree of uncertainty related to a number of factors, particularly the responses of students, educational institutions, and state and territory governments to the change from either upfront or deferred income-contingent tuition fees to free tuition. Inherent uncertainties in the baseline estimates for the HELP programs and limited information regarding loan repayment profiles add to the uncertainty of the estimated financial implications of this proposal.

The estimated financial implications of Component 5 are based on reliable de-identified Department of Human Services administrative transfer payment data. The estimates are sensitive to uncertainty associated with the indexation and population growth factors used to project the payment data across the costing period.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-4,740	-7,690	-10,160	-12,310	-34,840
Underlying cash balance	-4,980	-7,930	-10,390	-12,490	-35,740
Headline cash balance	-4,980	-6,770	-8,170	-9,450	-29,340

(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.

General

- Any enabling legislation would be passed before the commencement of the proposal.
- Given that the proposal makes tuition free for undergraduates and free or close to free for TAFE students, students are not expected to substitute from one type of higher education to another based on tuition fees.

Component 1: University tuition fees

- The funding provided to universities on behalf of students would be classified as a grant.
 - The value of eligible loans converted to grants is equivalent to the average eligible loan multiplied by the projected number of students eligible for the proposal (on an equivalent full-time student load basis).
- The proposal would result in a small (one per cent) increase in projected student numbers (measured in equivalent full-time student load) in response to the fee-free undergraduate tuition. This equates to roughly an additional 6,000 students per year over the costing period (on an equivalent full-time student basis, rounded to the nearest 1,000 students).
 - At an aggregate level, the introduction of the Higher Education Contribution Scheme (HECS, now HELP) does not appear to have deterred participation in higher education, so it is expected that removing HELP would have only a marginal impact on participation. Australian and international research indicates that certain cohorts such as mature-aged students, part-time students, high school leavers with low Australian Tertiary Admission Rankings, and low socio-economic status students may be more sensitive to changes in tuition fees.
 - In addition, at the time HECS was introduced, the supply of undergraduate places was insufficient to meet the available demand. Thus, while the introduction of income contingent loans may well have deterred some participants, the price demand impact could not be reasonably analysed using enrolment data.
- Students would not choose to defer their studies from the first semester to the second semester in 2019 in response to the proposal, as there is no financial incentive to do so. The announcement date of the proposal falls after the HELP census date for the majority of affected students (31 March 2019) and students would have already incurred a HELP debt for that semester and would be required to pay tuition fees for the remainder of their course.

Component 2: Loan repayment thresholds

- The rate of debt not expected to be repaid under the proposal would increase by a small amount relative to the baseline, reflecting the fact that fewer people would reach the lowest repayment threshold.
- The difference between annual growth in average wages and annual growth in median wages would remain constant over the period from 2019-20 to 2029-30.
- The amount of voluntary repayments would not be affected by this proposal.

Component 3: TAFE grants

- Total projected delivery hours in relevant TAFE courses in the absence of any policy change would be held constant at the average of 2016 and 2017 levels (the latest years for which National Centre for Vocational Education Research data is available).
 - Delivery hours have been fairly flat between 2015 and 2017. While there have been considerable fluctuations in delivery hours over the past decade, there has been no clear discernible trend.
- The proposal would result in a small (5 per cent) increase in projected student numbers (measured in equivalent full-time student load).

- Given the diversity of course options at TAFEs (and, in particular, the option to undertake shorter duration or less-intensive courses) the estimated behavioural response is larger for Component 3 than Component 1.
- In addition, under the proposal, a number of courses which are currently not eligible for VET student loans would be covered by Commonwealth TAFE grants, so some students deterred by up-front costs under the baseline may undertake study.
- There would be some substitution (15 per cent) away from VET courses delivered in non-TAFE settings to TAFEs to take advantage of the free or low-cost tuition.
 - Aside from this substitution effect, there would be no change in projected student numbers or value of VET student loans from non-TAFE VET providers.
- While a small proportion of students may defer the commencement of their study to 1 July 2019 during the two-month period between the announcement and implementation of the proposal as there is a financial incentive to defer under the proposal, this would not be expected to have a material impact on the costing.
- Any responses by state and territory governments to the proposal are unlikely to affect the financial implications of this proposal to the Commonwealth Government.

Component 4: TAFE state grants program

- The state and territory share of delivery hours would be held constant at the average of 2016 and 2017 levels.

Component 5: Student support payments

- Student support payment recipients would not alter their earned income or marital status in response to the proposal.
- As specified in the request, the proposal is not intended to induce any switching between benefits.
- The proportion of full-time postgraduate students would remain at estimated 2017-18 levels, except for the first year of the proposal.

Methodology

Component 1: University tuition fees

The financial implications of ceasing student contributions were calculated by removing HELP loans for students affected by the proposal and increasing grant funding by an amount equal to those HELP loans, plus the student contributions paid upfront under the baseline. This funding is then increased by 10 per cent as per the proposal specification.

The number of affected students (on an equivalent full-time basis) in each year was estimated using historical information provided by the Department of Education and Training on the proportion of commencing versus continuing undergraduates.

The financial implications of increasing CGS funding by 10 per cent was calculated by multiplying the funding rates by the projected full-time student load and subtracting the baseline level of funding as at the 2019 Pre-election Economic and Fiscal Outlook.

Component 2: Loan repayment thresholds

The financial implications were estimated based on the difference between the existing policy and a simulation of loan repayments by borrowers, taking into account the proposed repayment thresholds, borrowers' incomes and existing debts. Repayment thresholds under the policy were indexed by projected median wages, calculated as outlined above.

Component 3: TAFE grants

The financial implications were calculated by removing HELP loans for students affected by the proposal, calculating the value of grants provided to the states and territories for TAFE tuition, and identifying the savings to the Commonwealth Government by ceasing payments under the National Agreement (as the cost of the TAFE grants exceeds the expenditure under the National Agreement for each year of the proposal).

The value of payments under the National Agreement was projected beyond the 2019-20 Budget forward estimates period using the method outlined in Budget Paper No. 3 (the total amount of payment under the National Agreement is indexed annually by a composite of Wage Cost Index 1 (85 per cent) and Wage Cost Index 6 (15 per cent)).

The value of TAFE grants was estimated using National Centre for Vocational Education Research data on TAFE total delivery hours, adjusted to apply only to courses at the Certificate I level and above, and for the assumptions outlined above. A grandfathering adjustment was then applied, given that students who have been enrolled in a VET course through a TAFE or any other provider within the two years prior to the proposal's start date are not eligible for this proposal.

Total applicable delivery hours were then multiplied by the capped hourly price. The 2017 hourly capped price of the grant was calculated by dividing total operating expenditures by total VET delivery hours for state and territory government-funded VET providers (both sourced from National Centre for Vocational Education Research data). 'Commercial trading' and 'other' services were removed from the operating expenditures in deriving the cost of VET delivery. The 2017 hourly capped price was indexed annually by the CPI. The capped price in 2019-20 (the first year of the proposal) was \$20.50 per delivery hour.

Component 4: TAFE state grants program

The financial implications of this component are equal to half the projected payments under the National Agreement as per the specification. The payments made to each state and territory government ([Attachment D](#)) were calculated by multiplying each state's and territory government's payment by 40 per cent and redistributing 10 per cent of the payments according to the specified formula ([Attachment B](#)).

Component 5: Student support payments

Administered expenditure estimates for Department of Social Services payment receipts (except ABSTUDY) affected by changes in payment rates, indexation and income thresholds were calculated using the Policy and Evaluation Model (PoEM). PoEM is a microsimulation model of administered transfer payments projected over the 2019-20 Budget forward estimates period. The PBO has adjusted PoEM to reflect 2019 Pre-election Economic and Fiscal Outlook parameters and extended PoEM over the period to 2029-30.

Administered expenditure estimates for ABSTUDY recipients were calculated by multiplying the projected number of eligible recipients of these payments by the proposed payment increase, and applying the appropriate indexation factors.

Administered expenditure estimates for extending existing Austudy payments to all full-time postgraduate students were calculated by multiplying the estimated additional Austudy recipients by the average payment rate.

The ongoing departmental impact was calculated by multiplying the number of additional recipients for each transfer payment by the cost of administering payments to each new recipient.

All components

All estimates have been rounded to the nearest \$10 million, except for the estimates of payments to the states and territories (Component 4) which have been rounded to the nearest \$1 million.

Data sources

The Australian Taxation Office provided the 2014-15 unit record tax data.

The Department of Education and Training provided:

- the 2019 Pre-election Economic and Fiscal Outlook CGS forward estimates model
- the 2017-18 Mid-Year Economic and Fiscal Outlook measure *Higher Education Reforms – revised implementation*
- the 2019 Pre-election Economic and Fiscal Outlook HELP forward estimates model.

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

The Department of Human Services provided annual unit payment administration costs as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Social Services provided:

- expenditure and population forecasts for income support recipients as at the 2019 Pre-election Economic and Fiscal Outlook.
- the Policy and Evaluation Model.

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Attachment A – Tuition-free TAFE and university, boost university funding, and related measures – Repayment rates and thresholds

Table A1: Tuition-free TAFE and university, boost university funding, and related measures – repayment rates and thresholds

Existing 2019-20 repayment threshold ^(a)	Existing 2019-20 repayment rate ^(a)	Proposed repayment threshold	Proposed repayment rate
\$45,880 and below	Nil	\$52,988 and below	Nil
\$45,880 to less than \$52,974	1.0%	\$52,988 to less than \$60,162	1.0%
\$52,974 to less than \$56,152	2.0%	\$60,162 to less than \$63,340	2.0%
\$56,152 to less than \$59,522	2.5%	\$63,340 to less than \$66,710	2.5%
\$59,522 to less than \$63,093	3.0%	\$66,710 to less than \$70,281	3.0%
\$63,093 to less than \$66,878	3.5%	\$70,281 to less than \$74,066	3.5%
\$66,878 to less than \$70,891	4.0%	\$74,066 to less than \$78,079	4.0%
\$70,891 to less than \$75,145	4.5%	\$78,079 to less than \$82,333	4.5%
\$75,145 to less than \$79,653	5.0%	\$82,333 to less than \$86,841	5.0%
\$79,653 to less than \$84,433	5.5%	\$86,841 to less than \$91,621	5.5%
\$84,433 to less than \$89,499	6.0%	\$91,621 to less than \$96,687	6.0%
\$89,499 to less than \$94,869	6.5%	\$96,687 to less than \$102,057	6.5%
\$94,869 to less than \$100,561	7.0%	\$102,057 to less than \$107,749	7.0%
\$100,561 to less than \$106,594	7.5%	\$107,749 to less than \$113,782	7.5%
\$106,594 to less than \$112,990	8.0%	\$113,782 to less than \$120,178	8.0%
\$112,990 to less than \$119,770	8.5%	\$120,178 to less than \$126,958	8.5%
\$119,770 to less than \$126,956	9.0%	\$126,958 to less than \$134,144	9.0%
\$126,956 to less than \$134,573	9.5%	\$134,144 to less than \$141,761	9.5%
\$134,573 and above	10.0%	\$141,761 and above	10.0%

(a) As outlined in the *Higher Education Support Legislation Amendment (Student Loan Sustainability) Act 2018*.

Attachment B – Tuition-free TAFE and university, boost university funding, and related measures – Component 4 (TAFE state grants program) – formula for payment calculation

For each year of the proposal, state/territory i will receive a payment equal to:

$$(0.4 \times \text{NASWD}_i) + (0.1 \times \text{NASWD}_{\text{Total}}) \times \frac{\sqrt{\text{Hours}_i}}{\sum_i \sqrt{\text{Hours}_i}}$$

where:

- NASWD_i is the National Agreement for Skills and Workforce Development payment that would have been received by state/territory i in that year in the absence of the proposal
- $\text{NASWD}_{\text{Total}}$ is the National Agreement for Skills and Workforce Development payments that would have been received by all states and territories that year in the absence of the proposal
- Hours_i is the average number of TAFE delivery hours for state/territory i in 2016 and 2017.

Attachment C – Tuition-free TAFE and university, boost university funding, and related measures – financial implications

Table C1: Tuition-free TAFE and university, boost university funding, and related measures – 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													
<i>Income from unwinding concessional loan discount</i>	-	..	-10	-20	-30	-50	-80	-100	-120	-140	-160	-20	-700
<i>Interest accrued on loans</i>	..	-10	-40	-100	-170	-260	-360	-470	-590	-730	-870	-140	-3,590
<i>Loan fee revenue</i>	-10	-20	-20	-20	-30	-30	-30	-30	-30	-30	-30	-70	-280
<i>State contributions to deferral costs for VET student loans</i>	..	..	..	..	..	..	..	..	..	..	..	20	50
<i>Student transfer payments (personal income tax)</i>	50	50	50	40	50	50	60	70	70	80	90	190	670
Total – revenue	40	20	-20	-100	-180	-290	-410	-530	-670	-820	-970	-20	-3,850
Expenses													
<i>Administered</i>													
<i>Replace undergraduate student contribution with direct grant to universities (increase by 10 per cent)</i>	-1,350	-2,670	-3,960	-4,990	-5,740	-6,300	-6,870	-7,130	-7,410	-7,690	-7,980	-12,970	-62,100
<i>Grants to state and territory governments for TAFEs</i>	-2,010	-2,890	-3,630	-4,190	-4,870	-5,000	-5,120	-5,250	-5,380	-5,510	-5,650	-12,720	-49,510
<i>National Agreement for Skills and Workforce Development – removal</i>	1,540	1,560	1,590	1,620	1,640	1,670	1,700	1,720	1,750	1,780	1,810	6,310	18,380
<i>TAFE state grants program</i>	-770	-780	-790	-810	-820	-830	-850	-860	-880	-890	-900	-3,150	-9,190
<i>Remove cap on total Commonwealth Grant Scheme funding (increase by 10 per cent)</i>	-500	-1,100	-1,290	-1,470	-1,660	-1,890	-2,120	-2,360	-2,610	-2,880	-3,150	-4,350	-21,030
<i>Concessional loan discount</i>	40	90	140	170	190	210	230	240	250	260	270	430	2,080
<i>Loan write downs</i>	-	..	..	..	..	..	..	..	..	..	..	..	20
<i>Student transfer payments</i>	-1,640	-1,690	-1,780	-1,880	-1,990	-2,120	-2,270	-2,430	-2,600	-2,770	-2,940	-6,990	-24,110
Total – administered	-4,690	-7,480	-9,720	-11,550	-13,250	-14,260	-15,300	-16,070	-16,880	-17,700	-18,540	-33,440	-145,460
<i>Departmental</i>													
<i>Department of Education and Training</i>	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-30	-90
<i>Department of Social Services</i>	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-70	-210
Total – departmental	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-100	-300
Total – expenses	-4,720	-7,510	-9,750	-11,580	-13,280	-14,290	-15,330	-16,100	-16,910	-17,730	-18,570	-33,540	-145,760
Total (excluding PDI)	-4,680	-7,490	-9,770	-11,680	-13,460	-14,580	-15,740	-16,630	-17,580	-18,550	-19,540	-33,560	-149,610
PDI impacts	-60	-200	-390	-630	-970	-1,390	-1,890	-2,470	-3,130	-3,880	-4,840	-1,280	-19,850
Total (including PDI)	-4,740	-7,690	-10,160	-12,310	-14,430	-15,970	-17,630	-19,100	-20,710	-22,430	-24,380	-34,840	-169,460

(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 C2: Tuition-free TAFE and university, boost university funding, and related measures – 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													
<i>Interest received on loans</i>	-210	-190	-180	-170	-160	-170	-170	-190	-220	-260	-310	-750	-2,250
<i>State contributions to deferral costs for VET student loans</i>	..	..	..	..	..	..	..	..	..	..	..	20	50
<i>Student transfer payments (personal income tax)</i>	50	50	50	40	50	50	60	70	70	80	90	190	670
Total – receipts	-160	-140	-130	-130	-110	-120	-110	-120	-150	-180	-220	-540	-1,530
Payments													
<i>Administered</i>													
<i>Replace undergraduate student contribution with direct grant to universities (increase by 10 per cent)</i>	-1,350	-2,670	-3,960	-4,990	-5,740	-6,300	-6,870	-7,130	-7,410	-7,690	-7,980	-12,970	-62,100
<i>Grants to state and territory governments for TAFEs</i>	-2,010	-2,890	-3,630	-4,190	-4,870	-5,000	-5,120	-5,250	-5,380	-5,510	-5,650	-12,720	-49,510
<i>National Agreement for Skills and Workforce Development – removal</i>	1,540	1,560	1,590	1,620	1,640	1,670	1,700	1,720	1,750	1,780	1,810	6,310	18,380
<i>TAFE state grants program</i>	-770	-780	-790	-810	-820	-830	-850	-860	-880	-890	-900	-3,150	-9,190
<i>Remove cap on total Commonwealth Grant Scheme funding (increase by 10 per cent)</i>	-500	-1,100	-1,290	-1,470	-1,660	-1,890	-2,120	-2,360	-2,610	-2,880	-3,150	-4,350	-21,030
<i>Student transfer payments</i>	-1,640	-1,690	-1,780	-1,880	-1,990	-2,120	-2,270	-2,430	-2,600	-2,770	-2,940	-6,990	-24,110
Total – administered	-4,730	-7,570	-9,860	-11,720	-13,440	-14,470	-15,530	-16,310	-17,130	-17,960	-18,810	-33,870	-147,560
<i>Departmental</i>													
<i>Department of Education and Training</i>	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-30	-90
<i>Department of Social Services</i>	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-70	-210
Total – departmental	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-100	-300
Total – payments	-4,760	-7,600	-9,890	-11,750	-13,470	-14,500	-15,560	-16,340	-17,160	-17,990	-18,840	-33,970	-147,860
Total (excluding PDI)	-4,920	-7,740	-10,020	-11,880	-13,580	-14,620	-15,670	-16,460	-17,310	-18,170	-19,060	-34,510	-149,390
PDI impacts	-60	-190	-370	-610	-940	-1,360	-1,860	-2,430	-3,090	-3,830	-4,770	-1,230	-19,510
Total (including PDI)	-4,980	-7,930	-10,390	-12,490	-14,520	-15,980	-17,530	-18,890	-20,400	-22,000	-23,830	-35,740	-168,900

- (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 C3: Tuition-free TAFE and university, boost university funding, and related measures –
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													
<i>Interest payments</i>	-210	-190	-180	-170	-160	-170	-170	-190	-220	-260	-310	-750	-2,250
<i>Principal repayments</i>	-1,300	-1,160	-1,100	-1,070	-1,030	-1,060	-1,060	-1,150	-1,270	-1,430	-1,660	-4,640	-13,320
<i>State contributions to deferral costs for VET student loans</i>	..	..	..	..	..	..	..	..	..	..	..	20	50
<i>Student transfer payments (personal income tax)</i>	50	50	50	40	50	50	60	70	70	80	90	190	670
Total – receipts	-1,460	-1,300	-1,230	-1,200	-1,140	-1,180	-1,170	-1,270	-1,420	-1,610	-1,880	-5,180	-14,850
Payments													
<i>Administered</i>													
<i>Replace undergraduate student contribution with direct grant to universities (increase by 10 per cent)</i>	-1,350	-2,670	-3,960	-4,990	-5,740	-6,300	-6,870	-7,130	-7,410	-7,690	-7,980	-12,970	-62,100
<i>Grants to state and territory governments for TAFEs</i>	-2,010	-2,890	-3,630	-4,190	-4,870	-5,000	-5,120	-5,250	-5,380	-5,510	-5,650	-12,720	-49,510
<i>National Agreement for Skills and Workforce Development – removal</i>	1,540	1,560	1,590	1,620	1,640	1,670	1,700	1,720	1,750	1,780	1,810	6,310	18,380
<i>TAFE state grants program</i>	-770	-780	-790	-810	-820	-830	-850	-860	-880	-890	-900	-3,150	-9,190
<i>Remove cap on total Commonwealth Grant Scheme funding (increase by 10 per cent)</i>	-500	-1,100	-1,290	-1,470	-1,660	-1,890	-2,120	-2,360	-2,610	-2,880	-3,150	-4,350	-21,030
<i>Loans issued</i>	1,300	2,320	3,320	4,110	4,680	5,090	5,510	5,700	5,900	6,110	6,320	11,040	50,360
<i>Student transfer payments</i>	-1,640	-1,690	-1,780	-1,880	-1,990	-2,120	-2,270	-2,430	-2,600	-2,770	-2,940	-6,990	-24,110
Total – administered	-3,430	-5,250	-6,540	-7,610	-8,760	-9,380	-10,020	-10,610	-11,230	-11,850	-12,490	-22,830	-97,200
<i>Departmental</i>													
<i>Department of Education and Training</i>	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-30	-90
<i>Department of Social Services</i>	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-70	-210
Total – departmental	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-100	-300
Total – payments	-3,460	-5,280	-6,570	-7,640	-8,790	-9,410	-10,050	-10,640	-11,260	-11,880	-12,520	-22,930	-97,500
Total (excluding PDI)	-4,920	-6,580	-7,800	-8,840	-9,930	-10,590	-11,220	-11,910	-12,680	-13,490	-14,400	-28,110	-112,350
PDI impacts	-60	-190	-370	-610	-940	-1,360	-1,860	-2,430	-3,090	-3,830	-4,770	-1,230	-19,510
Total (including PDI)	-4,980	-6,770	-8,170	-9,450	-10,870	-11,950	-13,080	-14,340	-15,770	-17,320	-19,170	-29,340	-131,860

(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 D – Tuition-free TAFE and university, boost university funding, and related measures – Component 4 (TAFE state grants program) – payments to states and territories

Table D1: Tuition-free TAFE and university, boost university funding, and related measures – Component 4 (TAFE state grants program) – payments to states and territories (\$m)^(a)

	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
<i>New South Wales</i>	230	234	237	241	245	249	253	257	262	266	270	942	2,745
<i>Victoria</i>	197	201	206	210	214	217	221	224	228	232	235	814	2,385
<i>Queensland</i>	150	153	155	158	160	163	166	168	171	174	177	616	1,795
<i>Western Australia</i>	83	84	85	86	87	89	90	92	93	95	96	339	981
<i>South Australia</i>	56	56	57	57	58	59	60	61	62	63	64	227	656
<i>Tasmania</i>	22	22	22	22	23	23	24	24	24	25	25	88	255
<i>Australian Capital Territory</i>	18	18	18	19	19	19	20	20	20	21	21	73	213
<i>Northern Territory</i>	13	13	14	14	14	14	15	15	15	15	15	54	158
Total	-770	-780	-790	-810	-820	-830	-850	-860	-880	-890	-900	-3,150	-9,190

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

Attachment E – 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 impact¹

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 E1 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 E1: 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.



Policy costing

Bring Australia's excessive military spending back to long-term trend levels	
Party:	Australian Greens
Summary of proposal: This proposal has two components: <ul style="list-style-type: none">• Component 1 would reduce Department of Defence expenditure on a steady, linear trajectory in order to reach 1.5 per cent of GDP by 2022-23.• Component 2 would abolish the Defence Export Facility. The proposal would have effect from 1 July 2019.	

Costing overview

Component 1 would be expected to increase both the fiscal and underlying cash balances by \$34,590 million over the 2019-20 Budget forward estimates period. This increase entirely reflects decreased Department of Defence expenditure.

The proposal would be expected to have ongoing financial implications beyond the 2019-20 Budget forward estimates period. A breakdown of the financial implications over the period to 2029-30 is included at [Attachment A](#).

Component 2 does not have a financial impact, as explained below.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	1,920	6,330	10,800	15,540	34,590
Underlying cash balance	1,920	6,330	10,800	15,540	34,590

(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.

There is significant uncertainty about whether the proposed decrease in expenditure for Component 1 could be achieved within the proposed timeframes given the size of the reduction. The Parliamentary Budget Office has made no assessment about whether the timing of the proposed reductions could be met. The financial implications are also sensitive to changes in nominal gross domestic product (GDP) growth projections.

Financial implications of Component 2

Abolishing the Defence Export Facility has no financial implications. The budget treatment of the Defence Export Facility can be found in Statement 8: Statement of Risks (page 8-12) of *2019-20 Budget Paper No.1: Budget strategy and outlook*.

- The Government established the Defence Export Facility with a maximum aggregate exposure of US\$3.0 billion. The Facility has no financial implications until drawn on. As at 25 February 2019, three loans under the Facility had been agreed for a total maximum value of AUD\$213 million. These are reflected in the Budget estimates.

Methodology

The financial implications represent the difference between the proposed and projected baseline Department of Defence funding profiles over the medium-term. Estimated Department of Defence expenditure is driven by the 2019-20 Budget nominal GDP projections.

All estimates are rounded to nearest \$10 million.

Data sources

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

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

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

Attachment A – Bring Australia’s excessive military spending back to long-term trend levels – financial implications

Table A1: Bring Australia’s excessive military spending back to long-term trend levels – 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	1,920	6,330	10,800	15,540	16,630	17,020	17,520	18,570	19,870	22,930	24,270	34,590	171,400

- (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.



Policy costing

Put Australia on a path to achieve 4 per cent of gross domestic product (GDP) in science, research and innovation spending

Party:

Australian Greens

Summary of proposal:

The proposal has four components to increase expenditure to support Australian science, research and innovation.

- Component 1 – Establish an additional non-refundable tax offset of 20 per cent for companies that hire science, technology, engineering and mathematics (STEM) PhD students or equivalent graduates in their first three years of employment.
- Component 2 – Restore the Sustainable Research Excellence grants program, which ceased in December 2016.
- Component 3 – Twelve capped programs, with funding for each program to be ongoing and indexed in line with growth in the consumer price index (CPI). Where relevant, departmental expenses have been calculated based on programs of a similar size.
 - a \$88.9 million each year to the Australian Research Council.
 - b \$83.3 million each year to the National Health and Medical Research Council.
 - c \$33.3 million to Cooperative Research Centres.
 - d \$50 million each year to research and innovation organisations to support women in science.
 - e \$175 million each year to increase funding to the Research Infrastructure Investment Strategy.
 - f \$15 million each year to support international collaboration via the existing global innovation strategy.
 - g \$70 million each year to the Future Fellowship Scheme.
 - h \$46.2 million each year to drive the development and implementation of a national open access publishing program.
 - i \$47 million each year to support the phasing-in of funding reforms that support the indirect funding of health and medical research.
 - j \$40 million each year to fund four new integrated health research centres.
 - k \$41.7 million each year to existing teacher training in STEM education.
 - l \$50 million each year for a Secure Work for Researchers fund, to assist universities and research institutes to transition their workers to ongoing employment.

- Component 4 – Reverse two Government measures.
 - a The 2014-15 Budget measure *Science and Research Agencies – reduced funding*. The total savings from this measure are to be returned to the Commonwealth Science and Industry Research Organisation (CSIRO), the Australian Nuclear Science Technology Organisation (ANSTO) and the Australian Institute of Marine Science (AIMS) divided evenly over three years from 2019-20.
 - b The 2018-19 unlegislated Budget measure *Better targeting of the Research and Development Tax Incentive*.

The proposal would commence from 1 July 2019.

Costing overview

The proposal would be expected to decrease the fiscal balance by \$6,107.4 million and the underlying cash balance by \$5,627.4 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, this impact reflects a decrease in revenue of \$470.0 million and an increase in expenses of \$5,637.4 million.

The proposal would be expected to have an 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](#).

There is a difference between the fiscal and underlying cash balance impact of this proposal because the expenditure on refundable tax offsets is recognised on an accrual basis before payments are made.

The estimates of Component 1 are sensitive to a number of assumptions about the current expenditure on the employment of STEM PhD or equivalent graduates, the size of the PhD graduate cohort, the proportion that are employed in private sector research and development (R&D), and their average salaries.

The estimates of Component 2 are sensitive to the estimated value of grants awarded under the restored Sustainable Research Excellence grants program.

The estimates of Component 3 are sensitive to changes in projections of the CPI. The Parliamentary Budget Office (PBO) has not undertaken any analysis to assess whether the proposed expenditure would be sufficient to achieve the objectives of the policies under this component.

Departmental expenses have been included for the Department of Industry, Innovation and Science to administer programs under Component 3.

The estimates of Component 4a are not subject to uncertainty as they are fixed funding amounts.

The estimates of Component 4b are particularly sensitive to the assumptions concerning the growth in eligible expenditure on R&D activities. Changes to these assumptions could significantly affect the estimated impact of reversing this measure.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-1,210.1	-1,567.4	-1,654.8	-1,655.3	-6,107.4
Underlying cash balance	-1,010.1	-1,417.4	-1,534.8	-1,645.3	-5,627.4

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

Component 1: STEM PhD tax incentive

- 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.

Component 2: Reinstating the Sustainable Research Excellence grants program

- The total grant payment that would be awarded under the Sustainable Research Excellence grants program in 2017 (if it had not ceased) would be proportional to the relative funding amounts under the Sustainable Research Excellence grants program in 2016 and the Research Support Program in 2017.

Component 4: Reversing measures

- For Component 4b:
 - eligible expenditure on R&D activities by companies with a turnover greater than \$20 million would remain constant over time
 - eligible expenditure on R&D activities by companies with a turnover less than \$20 million would grow by approximately 6 per cent per year, in line with historical growth.

Methodology

Component 1: STEM PhD tax incentive

The eligible expenditure on STEM PhD 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 assumed proportion who would be working on a full-time-equivalent basis, and their assumed earnings.

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.

Component 2: Reinstating the Sustainable Research Excellence grants program

The financial impact of restoring the Sustainable Research Excellence grants program was estimated using payment data on the Sustainable Research Excellence grants program and the Research Support Program. A ratio of payments under the Sustainable Research Excellence grants program in 2016 and the Research Support Program in 2017 was derived, after accounting for indexation.

This ratio was applied to Research Support Program payments in 2017 and 2018 to estimate Sustainable Research Excellence grants program payments for these years. These calendar year estimates were averaged to derive an estimate for the financial year 2017-18 and then indexed by CPI over the period to 2029-30, noting that this proposal commences on 1 July 2019.

Component 3: Capped funding

The financial impact of the proposed funding for each program under Component 3 was derived by applying relevant indexation arrangements to the specified amounts.

Departmental costs for this component have been estimated based on similar-sized programs and the Department of Finance's costing parameters, and have been deducted from the specified total funding envelope.

Component 4: Reversing measures

The financial impact of reversing the 2018-19 unlegislated Budget measure *Better targeting of the Research and Development Tax Incentive* was calculated using a microsimulation model of company tax as at the 2019-20 Budget, developed by the PBO. This model estimated the company tax liabilities for all companies over the period to 2029-30 under current and proposed settings, based on company tax data for the 2016-17 financial year (including benchmarking to aggregate company tax revenue estimates) and taking into account the effect of the imputation system.

The eligible expenditure on R&D activities for each company was derived from their current year offset amount for the 2016-17 income year and then grown across the medium term. This expenditure amount was then used to recalculate their offset amounts under the current measure and under the proposal. These offset amounts were then used to calculate the company tax revenue and refundable tax offset expenses for each company under the current measure, including the effects of the dividend imputation system and any offsets carried forward from previous years.

The financial impact of reversing the 2014-15 Budget measure *Science and Research Agencies – reduced funding* was calculated as specified in the proposal.

Revenue and administered expense estimates for Component 1, Component 2 and Component 4 have been rounded to the nearest \$10 million.

Administered expense estimates for Component 3 and all departmental expense estimates have been rounded to the nearest \$100,000.

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

The Department of Industry, Innovation and Science provided costing and staffing data for the *Science and Research Agencies – reduced funding* measure from the 2014-15 Budget.

Department of Education and Training, 2018. *RBG Allocations Time Series [Online]*. Available at <https://docs.education.gov.au/node/47846> [accessed 11 July 2018].

Department of Education and Training, 2015. *International Students Studying Science, Technology, Engineering and Mathematics (STEM) in Australian Higher Education Institutions*, Canberra: Commonwealth of Australia.

Graduate Careers Australia, 2015. *Postgraduate Destinations 2015: A report on the work and study outcomes of recent higher education postgraduates*, Melbourne: Graduate Careers Australia.

Office of the Chief Scientist, 2016. *Australia's STEM Workforce: Science, Technology, Engineering and Mathematics*, Canberra: Commonwealth of Australia.

Attachment A – Put Australia on a path to achieve 4 per cent of gross domestic product (GDP) in science, research and innovation spending – financial implications

Table A1: Put Australia on a path to achieve 4 per cent of gross domestic product (GDP) in science, research and innovation spending – 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													
Company tax revenue – Component 1	-	-10.0	-10.0	-20.0	-30.0	-30.0	-30.0	-30.0	-40.0	-40.0	-40.0	-50.0	-280.0
Company tax revenue – Component 4b	-	-170.0	-120.0	-120.0	-130.0	-140.0	-150.0	-160.0	-170.0	-180.0	-190.0	-420.0	-1,560.0
Total – revenue	-	-180.0	-130.0	-140.0	-160.0	-170.0	-180.0	-190.0	-210.0	-220.0	-230.0	-470.0	-1,840.0
Expenses													
<i>Administered</i>													
Reinstating sustainable research excellence – Component 2	-220.0	-230.0	-230.0	-240.0	-250.0	-250.0	-260.0	-260.0	-270.0	-280.0	-280.0	-920.0	-2,770.0
Component 3a	-88.9	-91.0	-93.1	-95.4	-97.8	-100.2	-102.7	-105.3	-107.9	-110.6	-113.4	-368.3	-1,106.3
Component 3b	-83.3	-85.2	-87.2	-89.4	-91.6	-93.9	-96.3	-98.7	-101.1	-103.7	-106.2	-345.1	-1,036.6
Component 3c	-33.3	-34.1	-34.9	-35.7	-36.6	-37.5	-38.5	-39.4	-40.4	-41.4	-42.5	-138.0	-414.4
Component 3d	-48.4	-49.6	-50.7	-52.0	-53.3	-54.7	-56.0	-57.4	-58.7	-60.1	-61.6	-200.7	-602.6
Component 3e	-175.0	-179.1	-183.2	-187.8	-192.5	-197.3	-202.2	-207.3	-212.5	-217.8	-223.2	-725.0	-2,177.7
Component 3f	-14.5	-14.9	-15.2	-15.6	-16.0	-16.4	-16.8	-17.2	-17.6	-18.0	-18.5	-60.2	-180.7
Component 3g	-68.3	-69.9	-71.5	-73.3	-75.2	-77.0	-78.9	-80.9	-82.8	-84.8	-86.8	-283.0	-849.5
Component 3h	-44.6	-45.7	-46.8	-48.0	-49.2	-50.4	-51.6	-52.9	-54.2	-55.5	-56.7	-185.1	-555.6
Component 3i	-45.4	-46.5	-47.6	-48.8	-50.1	-51.3	-52.6	-53.8	-55.1	-56.4	-57.8	-188.4	-565.5
Component 3j	-39.3	-40.2	-41.2	-42.3	-43.3	-44.4	-45.5	-46.6	-47.7	-48.8	-49.9	-163.0	-489.2
Component 3k	-40.2	-41.1	-42.1	-43.2	-44.3	-45.4	-46.5	-47.6	-48.8	-49.9	-51.1	-166.6	-500.1
Component 3l	-48.4	-49.6	-50.7	-52.0	-53.3	-54.7	-56.0	-57.4	-58.7	-60.1	-61.6	-200.7	-602.6
Refundable company tax offset expense – Component 4b	-200.0	-350.0	-470.0	-480.0	-500.0	-520.0	-550.0	-570.0	-600.0	-630.0	-640.0	-1,500.0	-5,510.0
Total – administered	-1,149.6	-1,326.9	-1,464.2	-1,503.5	-1,553.2	-1,593.2	-1,653.6	-1,694.5	-1,755.5	-1,817.1	-1,849.3	-5,444.1	-17,360.8
<i>Departmental^{(c)(d)}</i>													
DIIS – Component 3	-11.6	-11.6	-11.7	-11.8	-12.1	-12.4	-12.9	-13.5	-14.2	-15.1	-16.2	-46.6	-143.0
CSIRO – Component 4a	-37.1	-37.1	-37.1	-	-	-	-	-	-	-	-	-111.4	-111.4
ANSTO – Component 4a	-9.2	-9.2	-9.2	-	-	-	-	-	-	-	-	-27.5	-27.5
AIMS – Component 4a	-2.6	-2.6	-2.6	-	-	-	-	-	-	-	-	-7.8	-7.8
Total – departmental	-60.5	-60.5	-60.6	-11.8	-12.1	-12.4	-12.9	-13.5	-14.2	-15.1	-16.2	-193.3	-289.7
Total – expenses	-1,210.1	-1,387.4	-1,524.8	-1,515.3	-1,565.3	-1,605.6	-1,666.5	-1,708.0	-1,769.7	-1,832.2	-1,865.5	-5,637.4	-17,650.5
Total	-1,210.1	-1,567.4	-1,654.8	-1,655.3	-1,725.3	-1,775.6	-1,846.5	-1,898.0	-1,979.7	-2,052.2	-2,095.5	-6,107.4	-19,490.5

(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) Departmental cost estimates are based on similar-sized grant programs and account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

(d) Departmental expenses have not been calculated for Components 1, 2, 3a, 3b, 3c, 3e, and 4b as it is anticipated that these components would not significantly increase the administrative workload of the relevant department.

- Indicates nil.

Table A2: Put Australia on a path to achieve 4 per cent of gross domestic product (GDP) in science, research and innovations spending— 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													
<i>Company tax receipts – Component 1</i>	-	-10.0	-10.0	-20.0	-30.0	-30.0	-30.0	-30.0	-40.0	-40.0	-40.0	-50.0	-280.0
<i>Company tax receipts – Component 4</i>	-	-170.0	-120.0	-120.0	-130.0	-140.0	-150.0	-160.0	-170.0	-180.0	-190.0	-420.0	-1,560.0
Total – revenue	-	-180.0	-130.0	-140.0	-160.0	-170.0	-180.0	-190.0	-210.0	-220.0	-230.0	-470.0	-1,840.0
Payments													
<i>Administered</i>													
<i>Reinstating sustainable research excellence – Component 2</i>	-220.0	-230.0	-230.0	-240.0	-250.0	-250.0	-260.0	-260.0	-270.0	-280.0	-280.0	-920.0	-2,770.0
<i>Component 3a</i>	-88.9	-91.0	-93.1	-95.4	-97.8	-100.2	-102.7	-105.3	-107.9	-110.6	-113.4	-368.3	-1,106.3
<i>Component 3b</i>	-83.3	-85.2	-87.2	-89.4	-91.6	-93.9	-96.3	-98.7	-101.1	-103.7	-106.2	-345.1	-1,036.6
<i>Component 3c</i>	-33.3	-34.1	-34.9	-35.7	-36.6	-37.5	-38.5	-39.4	-40.4	-41.4	-42.5	-138.0	-414.4
<i>Component 3d</i>	-48.4	-49.6	-50.7	-52.0	-53.3	-54.7	-56.0	-57.4	-58.7	-60.1	-61.6	-200.7	-602.6
<i>Component 3e</i>	-175.0	-179.1	-183.2	-187.8	-192.5	-197.3	-202.2	-207.3	-212.5	-217.8	-223.2	-725.0	-2,177.7
<i>Component 3f</i>	-14.5	-14.9	-15.2	-15.6	-16.0	-16.4	-16.8	-17.2	-17.6	-18.0	-18.5	-60.2	-180.7
<i>Component 3g</i>	-68.3	-69.9	-71.5	-73.3	-75.2	-77.0	-78.9	-80.9	-82.8	-84.8	-86.8	-283.0	-849.5
<i>Component 3h</i>	-44.6	-45.7	-46.8	-48.0	-49.2	-50.4	-51.6	-52.9	-54.2	-55.5	-56.7	-185.1	-555.6
<i>Component 3i</i>	-45.4	-46.5	-47.6	-48.8	-50.1	-51.3	-52.6	-53.8	-55.1	-56.4	-57.8	-188.4	-565.5
<i>Component 3j</i>	-39.3	-40.2	-41.2	-42.3	-43.3	-44.4	-45.5	-46.6	-47.7	-48.8	-49.9	-163.0	-489.2
<i>Component 3k</i>	-40.2	-41.1	-42.1	-43.2	-44.3	-45.4	-46.5	-47.6	-48.8	-49.9	-51.1	-166.6	-500.1
<i>Component 3l</i>	-48.4	-49.6	-50.7	-52.0	-53.3	-54.7	-56.0	-57.4	-58.7	-60.1	-61.6	-200.7	-602.6
<i>Refundable company tax offset payment – Component 4</i>	-	-200.0	-350.0	-470.0	-480.0	-500.0	-520.0	-550.0	-570.0	-600.0	-630.0	-1,020	-4,870
Total – administered	-949.6	-1,176.9	-1,344.2	-1,493.5	-1,533.2	-1,573.2	-1,623.6	-1,674.5	-1,725.5	-1,787.1	-1,839.3	-4,964.1	-16,720.8
<i>Departmental^{(c)(d)}</i>													
<i>DIIS – Component 3</i>	-11.6	-11.6	-11.7	-11.8	-12.1	-12.4	-12.9	-13.5	-14.2	-15.1	-16.2	-46.6	-143.0
<i>CSIRO – Component 4a</i>	-37.1	-37.1	-37.1	-	-	-	-	-	-	-	-	-111.4	-111.4
<i>ANSTO – Component 4a</i>	-9.2	-9.2	-9.2	-	-	-	-	-	-	-	-	-27.5	-27.5
<i>AIMS – Component 4a</i>	-2.6	-2.6	-2.6	-	-	-	-	-	-	-	-	-7.8	-7.8
Total – departmental	-60.5	-60.5	-60.6	-11.8	-12.1	-12.4	-12.9	-13.5	-14.2	-15.1	-16.2	-193.3	-289.7
Total – payments	-1,010.1	-1,237.4	-1,404.8	-1,505.3	-1,545.3	-1,585.6	-1,636.5	-1,688.0	-1,739.7	-1,802.2	-1,855.5	-5,157.4	-17,010.5
Total	-1,010.1	-1,417.4	-1,534.8	-1,645.3	-1,705.3	-1,755.6	-1,816.5	-1,878.0	-1,949.7	-2,022.2	-2,085.5	-5,627.4	-18,850.5

(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) Departmental cost estimates are based on similar-sized grant programs and account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance’s costing practices.

(d) Departmental expenses have not been calculated for Components 1, 2, 3a, 3b, 3c, 3e, and 4b as it is anticipated that these components would not significantly increase the administrative workload of the relevant department.

- Indicates nil.



Policy costing

Extend paid parental leave to six months and include superannuation	
Party:	Australian Greens
Summary of proposal: This proposal would modify the current paid parental leave scheme as follows. <ul style="list-style-type: none">• Increase the paid parental leave entitlement for the nominated primary carer to 26 weeks, paid at the carer's replacement wage. The annual replacement wage would be capped at \$100,000 in the first year of the proposal and indexed by the consumer price index annually.• Allow two weeks of the primary carer's entitlement to be accessed by their partner at the partner's replacement wage. The primary carer's entitlement would be correspondingly reduced to 24 weeks.• Where the primary carer is the non-birth parent, they would receive their actual wage unless it is higher than both the birth parent's wage and the national minimum wage, in which case they would receive the higher of the birth parent's wage or the national minimum wage.• Include superannuation contributions on all Commonwealth Government paid parental leave payments at the superannuation guarantee rate.• Allow Commonwealth, state and territory public sector employees to choose to take either their negotiated workplace parental leave entitlement or the proposed paid parental leave scheme (but not both).• Administer the payments through the Department of Human Services, rather than through the employers of the recipients. The proposal would have effect from 1 July 2020.	

Costing overview

This proposal would be expected to decrease the fiscal balance by \$6,511 million and the underlying cash balance by \$6,541 million over the 2019-20 Budget forward estimates period. The fiscal balance impact largely reflects an increase in administered expenses of \$9,151 million, partially offset by an increase in revenue of \$2,640 million over this period.

The underlying cash balance differs from the fiscal balance because of a timing difference between when a proportion of the low income superannuation tax offset and family tax benefit payments are accrued (within one financial year) and when they are paid (in the next financial year).

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](#).

The financial implications of this proposal are highly sensitive to projections of wages growth and changes in the indexation parameters and demographic factors.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-	-1,697	-2,317	-2,507	-6,511
Underlying cash balance	-	-1,727	-2,317	-2,507	-6,541

(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 private sector recipients eligible for the proposed scheme would be paid the full amount, regardless of any employer-provided entitlements.
- Commonwealth, state and territory public sector employees would choose the higher of the proposed paid parental leave scheme or negotiated workplace parental leave entitlement.

Methodology

Administered expenses were estimated using a microsimulation model of Australia’s personal income tax and transfer payment systems. Simulations were calculated to determine entitlements under both the current policy and the proposal. The difference in entitlements between the current policy and the proposed policy represents the cost of the proposal.

The revenue implications were estimated based on the difference in projected taxable incomes and superannuation contributions of paid parental leave recipients under both the current and proposed policy scenarios. Personal income was indexed in line with the growth of average weekly earnings.

This costing takes the timing of administered payments and tax collections into account in estimating the financial implications of the proposal on the budget balances.

Departmental expenses were estimated based on information provided by the Department of Human Services on the costs of administering a replacement wage paid parental leave scheme and the costs of including superannuation payments under the scheme.

Administered expenses have been rounded to the nearest \$10 million. Departmental expenses have been rounded to the nearest \$1 million.

Data sources

The Department of Social Services provided 2016-17 administrative unit record data on paid parental leave recipients.

The Department of Social Services provided expenditure and population forecasts for paid parental leave recipients as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Human Services provided departmental unit costs as at the 2019-20 Budget.

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

Attachment A – Extend paid parental leave to six months and include superannuation – financial implications

Table A1: Extend paid parental leave to six months and include superannuation – 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	-	660	990	980	1,030	1,060	1,120	1,170	1,230	1,290	1,340	2,640	10,880
Expenses													
<i>Administered</i>	-	-2,350	-3,300	-3,480	-3,680	-3,900	-4,140	-4,360	-4,590	-4,840	-5,030	-9,130	-39,680
<i>Departmental</i>	-	-7	-7	-7	-8	-8	-9	-9	-10	-10	-11	-21	-84
Total – expenses	-	-2,357	-3,307	-3,487	-3,688	-3,908	-4,149	-4,369	-4,600	-4,850	-5,041	-9,151	-39,764
Total	-	-1,697	-2,317	-2,507	-2,658	-2,848	-3,029	-3,199	-3,370	-3,560	-3,701	-6,511	-28,884

(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: Extend paid parental leave to six months and include superannuation – 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	-	660	990	980	1,030	1,060	1,120	1,170	1,230	1,290	1,340	2,640	10,880
Payments													
<i>Administered</i>	-	-2,380	-3,300	-3,480	-3,680	-3,910	-4,140	-4,370	-4,590	-4,840	-5,030	-9,160	-39,710
<i>Departmental</i>	-	-7	-7	-7	-8	-8	-9	-9	-10	-10	-11	-21	-84
Total – payments	-	-2,387	-3,307	-3,487	-3,688	-3,918	-4,149	-4,379	-4,600	-4,850	-5,041	-9,181	-39,794
Total	-	-1,727	-2,317	-2,507	-2,658	-2,858	-3,029	-3,209	-3,370	-3,560	-3,701	-6,541	-28,914

(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.



Policy costing

Support growth in the creative economy and value the contributions of artists to Australian society

Party: Australian Greens

Summary of proposal:

This proposal has three components that would increase support for the creative industry.

Component 1: Invest in Australian creativity through the following five elements.

- Element 1: Provide annual ongoing funding of \$10 million for a National Creativity Commission.
- Element 2: Reform broadcast content quotas to exclude New Zealand media from counting as Australian content, and require subscription television to broadcast commissioned local drama within 12 months of its completion.
- Element 3: Restore funding to the Australia Council equal to the rate it was projected to reach in 2016-17 (as presented in the 2013-14 Budget forward estimates period) plus three per cent. Index the funding to the wage price index (WPI) for future years.
- Element 4: Establish a Content Creators' Fund and provide it with \$50 million in grant funding per year for 10 years, of which \$2 million would be set aside for First Nations content creation. Grant funding would be capped at \$10 million per grant recipient, per year. The Content Creators' Fund would be administered by the Australian Communications and Media Authority (ACMA).
- Element 5: (a) Extend community broadcasting funding from an annual basis to a five-year funding envelope by extending funding at current levels for five years; and (b) Provide annual ongoing funding of \$1.4 million, indexed to inflation, for the digital transmission of community radio.

Component 2: Establish an artists-in-classrooms funding program to deliver grants of \$10,000 to place individual creative professionals in a school for 20 days in a school year, and grants of \$30,000 to place organisations in classrooms for 20 days in a school year. The artists-in-classrooms program would be managed within the Department of Communications and the Arts and would be capped at \$150 million over four years, inclusive of departmental costs.

Component 3: Establish a Living Arts Fund that would supplement the fortnightly income of eligible artists. Artists that opt into the Living Arts Fund would agree to place a proportion of any licensed copyright earnings that are generated from their art into a Living Arts Trust. The Trust's income would supplement the Living Arts Fund. To be eligible, artists would be required to submit an application to a Living Arts Board each year. A more detailed description of this component is at [Attachment A](#).

All components of this 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 \$1,479.3 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of \$1,596.2 million and an increase in departmental expenses of \$102.5 million, partially offset by an increase in revenue of \$219.4 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 B. The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

The financial implications for Components 1 and 2 are largely based on specified capped amounts and are not likely to deviate significantly from these estimates in practice.

The financial implications for Component 3 are highly sensitive to assumptions underpinning the modelling, which include the:

- types of copyright earnings that would be included under the proposal
- level of participation in the proposal
- level of income earned in these industries over time relative to median wages
- proportion of an individual’s total income that is derived from copyright artistic works.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-378.8	-360.7	-370.2	-369.6	-1,479.3
Underlying cash balance	-378.8	-360.7	-370.2	-369.6	-1,479.3

(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.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing Component 3 of this proposal.

- All eligible artists who would benefit from the income supplement would opt in to the proposed Living Arts Fund and agree to place 15 per cent of their earnings in the Living Arts Trust.
 - Based on an analysis of historical personal income tax data, artistic income represents around 75 per cent of eligible artists’ total income. Around 35 per cent of eligible artists are estimated to opt in to the Living Arts Fund.

Methodology

The financial implications for Components 1 and 2 of the costing are largely based on specified capped amounts.

- Component 1, Element 2 (reforming broadcast content quotas to exclude New Zealand media from counting as Australian content) is not expected to have a financial impact. New Zealand media currently only contributes a very small number of hours toward the quotas each year and broadcasters are expected to remain above the Australian content quotas if New Zealand media is removed.

- Component 1, Element 5(a) (extend community broadcasting funding envelope for five years) is not expected to have a financial impact as it is expected that the existing annual funding envelope would be ongoing.

The financial implications for Component 3 were calculated based on an analysis of unit record personal income tax data for individuals who reported being employed in the specified occupation types. Each individual's income from all sources was compared to 60 per cent of the median wage for the Australian population to determine whether they would be financially better off by opting in to the Living Arts Fund. The modelling assumes all individuals who would be better off would opt in to the Living Arts Fund and be approved by the Living Arts Board. The model calculates the amount of the supplement and the amount of the individual's income that would be put in trust under the proposal. The amount that accumulates in the Living Arts Trust is assumed to earn income that is used to offset the cost of the Living Arts Fund supplement expense amount.

The financial implications for all components of the costing were added to produce the overall costing estimates.

Where required, departmental expenses were included based on the costs associated with administering other similar programs.

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

Data sources

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

The Department of Communications and the Arts provided information on the Community Broadcasting Program.

100 per cent file of de-identified personal income tax and superannuation returns from the 2015-16 tax year.

Commonwealth of Australia, 2018. *Portfolio Budget Statements 2018-19 Communications and the Arts Portfolio*, Canberra: Commonwealth of Australia.

Attachment A – Support growth in the creative economy and value the contributions of artists to Australian society – Summary of proposal – Component 3

Living Arts Board

The Living Arts Board would accept applications from artists and circulate these among peer assessors (who would be drawn from a register of peer assessors from each state and territory). The Board would assess applications against a set of criteria to ensure that participating artists remain active within the area in which their application was originally made, and that they produce sufficient quality work for a period of no less than 12 months, with the latest piece of work being no later than three months old.

Artists who have not produced any work in the previous 12 months would be required to demonstrate substantial progress towards a major work, and be required to submit an expected timeline for the work's completion.

Living Arts Fund

The Living Arts Fund would supplement the fortnightly income of approved artists in order to bring their total fortnightly income from all sources up to the 60 per cent of the national median wage. The amount of the supplement would be limited to 60 per cent of the national median wage. The supplement would be taxable income.

For example, if an artist's private income is \$200 and the national median wage is \$600, the maximum supplement amount would be \$360 (60 per cent of \$600). This artist's supplement would be \$160 so that their total income before tax would be \$360.

Artists who have their income supplemented by the Fund would agree to place 15 per cent of any licensed copyright earnings that are generated from their art into a Living Arts Trust.

- Copyright earnings from both works of art (artistic, literary, dramatic or musical) and material other than works of art (films, sound recordings, broadcasts and published editions) would be applicable. The following categories would be included under the proposal.

Industry code	Industry classification title
2111	Actors, Dancers and Other Entertainers
2112	Music Professionals
2113	Photographers
2114	Visual Arts and Crafts Professionals
2121	Artistic Directors, and Media Producers and Presenters
2122	Authors, and Book and Script Editors
2123	Film, Television, Radio and Stage Directors

If providing copyright earnings to the Living Arts Trust would reduce an artists' income (including the supplement) below 60 per cent of the national median wage, their supplement would increase to offset this reduction.

Living Arts Trust

The Living Arts Trust would passively manage the minority share in participating artists' copyright material. It would not influence the commercialisation, distribution, reselling or licensing of any copyright materials. It would not have input into the daily concerns of the artist.

The Trust would have the right of first look if a work produced by a participating artist is put to market. Works purchased under this program would be held in a portfolio, managed by the Trust, in a manner designed to maximise the commercial return to the Trust.

The Trust would pay its income into the Living Arts Fund. This is considered government revenue. The Trust would operate as a public non-financial corporation, in that it trades cash for assets that are expected to deliver a commercial return.

Attachment B – Support growth in the creative economy and value the contributions of artists to Australian society – financial implications

Table B1: Support growth in the creative economy and value the contributions of artists to Australian society – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
<i>Component 3: Living Arts Fund – personal tax revenue</i>	50.0	50.0	50.0	50.0	200.0
<i>Component 3: Living Arts Trust – trust income paid into the Living Arts Fund</i>	1.8	3.8	5.8	7.9	19.4
Total – revenue	51.8	53.8	55.8	57.9	219.4
Expenses					
Administered					
<i>Component 1 Element 1: Establish a National Creativity Commission</i>	-	-	-	-	-
<i>Component 1 Element 2: Reform broadcast content quotas</i>	-	-	-	-	-
<i>Component 1 Element 3: Restore funding to the Australia Council</i>	-36.0	-37.1	-38.3	-39.6	-151.0
<i>Component 1 Element 4: Establish a Content Creators' Fund</i>	-50.0	-50.0	-50.0	-50.0	-200.0
<i>Component 1 Element 5(a): Extend community broadcasting funding envelope for five years</i>	-	-	-	-	-
<i>Component 1 Element 5(b): Fund digital transmission for community radio</i>	-1.4	-1.4	-1.5	-1.5	-5.8
<i>Component 2: Artists-in-classrooms program</i>	-29.6	-36.6	-36.6	-36.6	-139.4
<i>Component 3: Establish a Living Arts Board</i>	-	-	-	-	-
<i>Component 3: Establish a Living Arts Fund</i>	-270.0	-270.0	-280.0	-280.0	-1,100.0
<i>Component 3: Establish a Living Arts Trust</i>	-	-	-	-	-
Total – administered	-387.0	-395.1	-406.4	-407.7	-1,596.2
Departmental					
<i>Component 1 Element 1: Establish a National Creativity Commission</i>	-10.0	-10.0	-10.0	-10.0	-40.0
<i>Component 1 Element 2: Reform broadcast content quotas</i>	-	-	-	-	-
<i>Component 1 Element 3: Restore funding to the Australia Council</i>	-5.2	-5.3	-5.5	-5.7	-21.7
<i>Component 1 Element 4: Establish a Content Creators' Fund</i>	-10.5	-1.2	-1.2	-1.2	-14.2
<i>Component 1 Element 5(a): Extend community broadcasting funding envelope for five years</i>	-	-	-	-	-
<i>Component 1 Element 5(b): Fund digital transmission for community radio</i>	-	-	-	-	-
<i>Component 2: Artists-in-classrooms program</i>	-7.9	-0.9	-0.9	-0.9	-10.6
<i>Component 3 Establish a Living Arts Board</i>	-10.0	-2.0	-2.0	-2.0	-16.0
<i>Component 3: Establish a Living Arts Fund</i>	-	-	-	-	-
<i>Component 3: Establish a Living Arts Trust</i>	-	-	-	-	-
Total – departmental	-43.6	-19.4	-19.6	-19.8	-102.5
Total – expenses	-430.6	-414.5	-426.0	-427.5	-1,698.7
Total	-378.8	-360.7	-370.2	-369.6	-1,479.3

(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.

- Indicates nil.



Policy costing

Invest in our video game development industry	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>The proposal has three components that would provide support for the Australian video game industry with investment and tax incentives.</p> <ul style="list-style-type: none">• Component 1 – Establish a Games Investment and Enterprise Fund, with investment of \$100 million evenly split over 2019-20, 2020-21 and 2021-22.• Component 2 – Extend the producer tax offset and the post, digital or visual effects tax offset to video game developers.• Component 3 – Allocate \$5 million in 2019-20 to assist in the development of creative co-working spaces. <p>For Components 1 and 3, departmental expenses are to be included within the capped funding amount.</p> <p>The proposal would have effect from 1 July 2019.</p>	

Costing overview

The proposal would be expected to decrease the fiscal balance by \$278 million and decrease the underlying cash balance by \$235 million over the 2019-20 Budget forward estimates period. This impact wholly reflects an increase in expenses.¹

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 underlying cash balance impact of this proposal differs from the fiscal balance impact because of a timing difference between when video game productions become eligible to receive the producer tax offset and the post, digital or visual effects tax offset, and when the offsets are paid through lodgement of an income tax return to the Australian Taxation Office (ATO).

Departmental expenses have been included for the Department of Communications and the Arts and Screen Australia to administer Component 1 and Component 2 of the proposal. Departmental expenses for Component 3 would not be expected to be significant and have not been included.

¹ The Producer tax offset and the Post, Digital and Visual Effects Offset are treated as budget expenses. This is because they are refundable tax offsets and payment of the offset does not depend upon whether the recipient is liable to pay tax.

The estimates for Component 1 and Component 3 of this costing are certain as the amounts of funding are as specified in the proposal. No analysis has been undertaken by the Parliamentary Budget Office (PBO) to determine the adequacy of the prescribed funding amounts to achieve the objective of the proposal.

The estimates for Component 2 of this costing are sensitive to the assumed behavioural response and the split between qualifying expenditure for each offset.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-80	-76	-77	-45	-278
Underlying cash balance	-40	-75	-76	-44	-235

(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.

Component 1 – Establishing the Games Investment and Enterprise Fund

- The Games Investment and Enterprise Fund would be administered by the Department of Communications and the Arts.

Component 2 – Extending the producer tax offset and the post, digital or visual effects tax offset to video game developers

- All expenditure made in Australia by video game developers, including on post-production, digital and visual effects, would be eligible for the offsets.
- The value of qualifying expenditure on video game development would grow at the same rate as the consumer price index.
- Offset amounts would be claimed by companies in the year following the completion of production.
- There would be a behavioural response to the proposal, increasing qualifying expenditure associated with the development of video games by 20 per cent.
- Data on the split of expenditure between production and post-production and digital effects services is not available, however data on income earned by video game developers from these sources is. The PBO has therefore assumed that the proportion of total expenditure eligible for the post, digital and visual effects offset is equal to the share of total digital game development income that is attributable to post-production and digital effects services.
- The producer tax offset and the post, digital or visual effects tax offset for video games would be administered in a similar way to the current producer tax offset for feature films.

Methodology

Component 1 – Establishing the Games Investment and Enterprise Fund

The departmental cost for the Department of Communications and the Arts to administer the proposed Games Investment and Enterprise Fund was based on other budget measures with similar administrative requirements.

The administered expense for Component 1 was calculated by subtracting the departmental cost estimate from the total specified expenditure of \$100 million. The balance for administered funding was evenly distributed over 2019-20, 2020-21 and 2021-22.

Component 2 – Extending the producer tax offset and the post, digital or visual effects tax offset to video game developers

The financial impact of extending the producer tax offset and the post, digital or visual effects tax offset was estimated by applying the 40 per cent rate of the producer tax offset and the 30 per cent rate of the post, digital or visual effects tax offset to estimated eligible expenditure.

The estimated expenditure on video game development was based on Australian Bureau of Statistics (ABS) data on expenditure by digital game developers. The total expenditure eligible for the post, digital or visual effects tax offset was estimated by applying the estimated proportion of total production income that is attributable to post-production and digital effects services. The balance of expenditure was assumed to be eligible for the producer tax offset. The expenditure estimates were adjusted to take into account the expected behavioural response before the relevant offset rate was applied.

The departmental funding required for Screen Australia to administer the extension of the producer tax offset and for the Department of Communications and the Arts to administer the extension of the post, digital or visual effects tax offset was estimated to be \$1 million per annum for each organisation.

Component 3 – \$5 million in 2019-20 for creative co-working spaces

The administered expense for Component 3 is as specified in the proposal.

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

Data sources

ABS, *Film, Television and Digital Games, Australia*, 2015-16, ABS Cat. No. 8679.0.

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

Attachment A – Invest in our video game development industry – financial implications

Table A1: Invest in our video game development industry – Fiscal balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
<i>Administered</i>					
<i>Games Investment and Enterprise Fund (Component 1)</i>	-32	-32	-32	-	-97
<i>Extended producer tax offset and post, digital or visual effects tax offset (Component 2)</i>	-40	-41	-42	-43	-166
<i>Co-working space (Component 3)</i>	-5	-	-	-	-5
Total – administered	-77	-73	-74	-43	-268
<i>Departmental</i>					
<i>Screen Australia</i>	-1	-1	-1	-1	-4
<i>Department of Communication and the Arts</i>	-2	-2	-2	-1	-6
Total – departmental	-3	-3	-3	-2	-10
Total – expenses	-80	-76	-77	-45	-278

(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: Invest in our video game development industry – Underlying cash balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Payments					
<i>Administered</i>					
<i>Games Investment and Enterprise Fund (Component 1)</i>	-32	-32	-32	-	-97
<i>Extended producer tax offset and post, digital or visual effects tax offset (Component 2)</i>	-	-40	-41	-42	-123
<i>Co-working space (Component 3)</i>	-5	-	-	-	-5
Total – administered	-37	-72	-73	-42	-225
<i>Departmental</i>					
<i>Screen Australia</i>	-1	-1	-1	-1	-4
<i>Department of Communication and the Arts</i>	-2	-2	-2	-1	-6
Total – departmental	-3	-3	-3	-2	-10
Total – payments	-40	-75	-76	-44	-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.

- Indicates nil.



Policy costing

Give small businesses a tax deduction for employing more workers, and increase the goods and services tax (GST) registration threshold

Party: Australian Greens

Summary of proposal:

This proposal has two components.

- Component 1 – Increased salary and wage deductions for small companies
 - Component 1 of the proposal would allow companies with annual turnovers under \$2 million to claim tax deductions equal to 110 per cent of their total wage and salary expenses. The value of the additional deductions would be uncapped, but would not be carried forward.
- Component 2 – Increase the goods and services tax (GST) registration threshold
 - Component 2 of the proposal would increase the GST registration threshold from \$75,000 to \$150,000 for general companies, and from \$150,000 to \$300,000 for not-for-profit organisations. The GST registration threshold would be indexed annually with the consumer price index (CPI).

The proposal would have effect for income years starting from 1 July 2019.

Costing overview

This proposal would be expected to decrease the fiscal balance by \$2,731 and the underlying cash balance by \$2,541 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, this impact reflects a decrease in company tax revenue of \$2,560 million and a decrease in GST revenue of \$2,940 million, partially offset by a decrease in GST payments to states and territories of \$2,750 million and a decrease in departmental expenses for the Australian Taxation Office (ATO) of \$19 million.

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](#).

The fiscal and underlying cash balance impacts are different due to a timing difference between when GST revenue is recognised and when tax receipts are collected and are subsequently paid to states and territories.

Departmental expenses for the ATO would be expected to decrease by around \$5 million per year because the proposal would reduce the number of business activity statements submitted to the ATO and the costs associated with processing them.

This costing is subject to uncertainty, especially with respect to the forecasts of wage and salary expenses of eligible companies and the behavioural response of companies to the increased GST registration threshold.

This proposal could affect the overall level of employment in the economy, however the magnitude and timing of this impact is too uncertain to estimate and has not been included.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-175	-1,205	-675	-685	-2,731
Underlying cash balance	5	-1,195	-665	-675	-2,541

(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 – Increased salary and wage deductions for small companies

- Total salary and wage expenses of companies with an annual turnover of less than \$2 million would grow in line with the historical trend between 2013-14 and 2016-17.
- The proportion of eligible companies with sufficient net taxable income to use the additional deduction in the current year would be around 50 per cent, based on an analysis of company tax return data from the ATO.
- Affected companies would not increase the number of workers they employ and they would not increase salary and wage rates in response to the proposal.
 - This is because the additional deduction is small in magnitude and affected companies may be uncertain as to whether the additional deduction could be fully used as it cannot be carried forward. It is also because a large proportion of eligible companies may not be taxable.
- The dividend payout ratio of affected companies would remain constant at 75 per cent.
 - The domestic shareholding rate of these companies would be 80 per cent.
- The average marginal tax rate of dividend recipients would remain constant at 32 per cent.

Component 2 – Increase the GST registration threshold

- All eligible companies that receive a net refund of GST would remain registered.
- Around 80 per cent of eligible companies (by GST debt value) with a debit GST balance would remain registered for GST because of the benefits associated with GST registration, such as being able to claim input tax credits and ease of conducting business.
 - These companies already have systems in place for GST purposes.
 - The burden of the GST is borne by consumers instead of companies.
- Affected companies would lodge their business activity statement quarterly.
- The cost to the ATO for processing business activity statements is approximately \$30 per statement.

Methodology

Component 1 – Increased salary and wage deductions for small companies

The total wage and salary expenses of companies with annual turnovers of less than \$2 million was extracted from company tax return data provided by the ATO for the income years of 2013-14, 2014-15, 2015-16 and 2016-17. These numbers were then projected forward to 2029-30 using the historical trend growth rate over these four years.

The total amount of additional tax deductions was estimated by multiplying the total wage and salary expenses of each year by the proposed 10 per cent premium and then adjusting for the assumed utilisation rate. This estimate multiplied by the company tax rate gave the company tax revenue impact.

The flow-on income tax impact was estimated by multiplying the expected increase in dividend payments by the average marginal tax rate and then adjusting for imputation credits.

Component 2 – Increase the GST registration threshold

Eligible companies' GST transactions were extracted from 2017-18 business activity statement data. The financial impact of the proposal in 2017-18 was calculated by comparing the total GST revenue under the current setting and the proposal using the extracted data and the assumptions listed above. This amount was then grown over time by the projected growth in GST revenue. A timing factor was also applied, to determine the revenue profile and payments to the states and territories.

Departmental expenses were estimated by multiplying the estimated cost to the ATO of processing a business activity statement by the expected reduction in lodgements.

General

All estimates, except departmental expense 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 company tax return data for the financial years 2013-14 to 2016-17, as well as the business activity statement data for the 2017-18 financial year.

Attachment A – Give small businesses a tax deduction for employing more workers, and increase the goods and services tax (GST) registration threshold – financial implications

Table A1: Give small businesses a tax deduction for employing more workers, and increase the goods and services tax (GST) registration threshold – 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													
<i>Company tax</i>	-	-1,200	-670	-680	-710	-730	-750	-770	-790	-810	-830	-2,560	-7,950
<i>GST</i>	-690	-720	-750	-790	-820	-870	-910	-960	-1,010	-1,060	-1,120	-2,940	-9,700
Total – revenue	-690	-1,920	-1,420	-1,470	-1,530	-1,600	-1,660	-1,730	-1,800	-1,870	-1,950	-5,500	-17,650
Expenses													
<i>GST payments to state and territories</i>	510	710	740	780	820	860	900	950	1,000	1,050	1,100	2,750	9,420
<i>Departmental expense – ATO</i>	5	5	5	5	5	5	5	5	5	5	5	19	53
Total – expenses	515	715	745	785	825	865	905	955	1,005	1,055	1,105	2,769	9,473
Total	-175	-1,205	-675	-685	-705	-735	-755	-775	-795	-815	-845	-2,731	-8,177

(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: Give small businesses a tax deduction for employing more workers, and increase the goods and services tax (GST) registration threshold – 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													
<i>Company tax</i>	-	-1,200	-670	-680	-710	-730	-750	-770	-790	-810	-830	-2,560	-7,950
<i>GST</i>	-510	-710	-740	-780	-820	-860	-900	-950	-1,000	-1,050	-1,100	-2,750	-9,420
Total – receipts	-510	-1,910	-1,410	-1,460	-1,530	-1,590	-1,650	-1,720	-1,790	-1,860	-1,930	-5,310	-17,370
Payments													
<i>GST payments to state and territories</i>	510	710	740	780	820	860	900	950	1,000	1,050	1,100	2,750	9,420
<i>Departmental expense – ATO</i>	5	5	5	5	5	5	5	5	5	5	5	19	53
Total – payments	515	715	745	785	825	865	905	955	1,005	1,055	1,105	2,769	9,473
Total	5	-1,195	-665	-675	-705	-725	-745	-765	-785	-805	-825	-2,541	-7,897

(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.



Policy costing

Introduce a genuine mining super-profits tax	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>This proposal would introduce a new mining super-profits tax on minerals projects in Australia that is based on the former minerals resource rent tax but includes some important differences in design. The proposed mining super-profits tax would be levied at 40 per cent of the net value of mine revenue, minus expenses.</p> <p>The mining super-profits tax would be calculated as follows.</p> <ul style="list-style-type: none">• Revenue of mines would be determined by operating revenue less operating expenses.• Capital expenditure of mines would be determined as the book value of capital expenditure as at 2017-18, which would be uplifted at the long-term bond rate plus 2 per cent.• Each mine would be assessed individually for the purposes of the tax and there would be no transferability of expenditures between mines owned by the same company.• Royalty expenses would not be deductible against the proposed mining super-profits tax.• Decommissioning costs would not be allowed to be used to offset the proposed mining super-profits tax. <p>The mining super-profits tax would be deductible from company tax.</p> <p>The proposal would start on 1 July 2019.</p>	

Costing overview

This proposal would be expected to increase the fiscal balance by \$12,565 million and the underlying cash balance by \$11,565 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis this impact reflects an increase in revenue of \$12,700 million, partially offset by an increase in departmental expenses for the Australian Taxation Office (ATO) of \$135 million.

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 period to 2029-30 is provided at [Attachment A](#). There is a significant increase in revenue from 2023-24 to 2024-25 due to the effect of the starting base deduction of mines being used up by this time.

The departmental costs for the ATO to administer the collection of, and ensure compliance with, the proposed mining super-profits tax would be ongoing at \$30 million per year with an additional set up cost of \$15 million in the first year of the proposal.

The fiscal and underlying cash balance impacts of the proposal are different due to differences between the timing of when the proposed mining super-profits tax liability is raised and when it is paid.

Revenue from the proposed mining super-profits tax is partially offset by a decline in company tax revenue due to the mining super-profits tax being deductible for company tax purposes.

There are considerable uncertainties associated with this costing. These include possible behavioural responses to the new tax, future mineral production, future mineral prices, and future exchange rates. The Parliamentary Budget Office (PBO) has assumed that there would be no changes in production levels or the development of mining projects as a result of the proposal, as any of these impacts are highly uncertain. There are also uncertainties around future mineral prices, variations in which are likely to significantly affect the estimated revenue from the proposal.

As discussed in *Methodology* below, the PBO has used an aggregate model to estimate which minerals would be subject to the mining super-profits tax. The aggregate model indicates that it is likely that only iron ore would be subject to the tax, based on the starting base costs for other minerals and expected prices for the minerals. It is possible that some individual mines for other minerals may be in a position to pay the mining super-profits tax. This also adds to the uncertainty of this costing.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	4,955	2,070	2,670	2,870	12,565
Underlying cash balance	3,555	2,570	2,670	2,870	11,565

(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.

- Production in the iron ore sector over the period to 2029-30 would be at levels forecast by Wood Mackenzie as at April 2019, and would not alter as a result of this proposal.
- Iron ore prices by mine would be as forecast by Wood Mackenzie as at April 2019.
- The costs of production in the iron ore sector over the period to 2029-30 would be as forecast by Wood Mackenzie as at April 2019.
 - The introduction of the proposed mining super-profits tax will not materially alter mineral prices.
- Only iron ore mines would be sufficiently profitable to pay the mining super-profits tax.
- The mining super-profits tax would be calculated and paid quarterly.
- Mining companies liable for the mining super-profits tax would be subject to the higher rate of company tax.
- Companies that would pay the mining super-profits tax would not vary their company tax instalments in the first year of the proposal.

- The majority of production of iron ore (around 95 per cent in 2019-20) would be from companies that have a majority foreign shareholding.
 - It is assumed that approximately 70 per cent of the change in overall profits would be passed on to shareholders.

Methodology

To cost this proposal, the PBO first used an aggregate model of each mineral that is mined in Australia, based on overall mineral production, which estimated the starting base depreciation and costs for each mineral. This aggregate model indicated that only iron ore mines would be liable to pay the mining super-profits tax, based on expected mineral prices and the estimated starting base of capital for all minerals. The aggregate model is able to provide an indication of the overall profitability of minerals, however it has limitations in that it is possible that some individual mines for other minerals may also be liable to pay the mining super-profits tax.

The PBO then used mine-level data from Wood Mackenzie to estimate the expected revenue from iron ore mines under the proposal. The value and expected costs of production were calculated for each mine to determine their expected profit. Capital costs for each mine were also estimated and uplifted to the start date using an uplift rate equal to the long-term bond rate plus 2 per cent.

The overall net profit was calculated for each mine in each year to 2029-30. The rate of the proposed mining super-profits tax was then applied to mines that were estimated to have a positive profit. This amount was then adjusted for the timing of the assumed collection profile.

The loss in company tax, arising from deductibility of the mining super-profits tax, was calculated from the estimated underlying cash balance impact of the mining super-profits tax and the relevant company tax rates.

As the proposal would increase the amount of tax paid by affected companies, it has been assumed that this will lead to lower dividend payments. To calculate this, the amount of the additional tax (relative to current arrangements) was deducted from expected dividend payments, and the overall decline in tax from Australian shareholders as a result of lower dividend income was calculated. This amount also took into account the effect of lower imputation credits for shareholders. These company tax and dividend tax changes were summed to calculate the income tax (company tax and personal income tax) clawback as a result of this proposal.

Departmental costs were estimated based on the overall departmental costs of the 2010-11 Budget measure *Stronger, fairer, simpler tax reform – resource super profits tax*.

Revenue estimates have been rounded to the nearest \$100 million.

Departmental expense estimates have been rounded to the nearest \$1 million.

Data sources

Australian Bureau of Statistics, 2018. *Australian Industry, 2016-17*, ABS Cat. No. 8155.0.

Australian Bureau of Statistics, 2018. *Australian System of National Accounts, 2017-18*, ABS Cat. No. 5204.0.

Australian Bureau of Statistics, 2016. *Mining Operations, Australia, 2014-15*, ABS Cat. No. 8415.0.

Commonwealth of Australia, 2011. *Budget 2010-11*, Canberra: Commonwealth of Australia.

Department of Industry, Innovation and Science, 2018. *Resources and Energy Quarterly – March 2019*, forecast data and historical data [online] available at <https://publications.industry.gov.au/publications/resourcesandenergyquarterlymarch2019/index.html> [Accessed 25 April 2019].

Grenville, S 2018. *Foreign Investment: Let's talk about mining, not agriculture*, [online] available at <https://www.lowyinstitute.org/the-interpreter/foreign-investment-lets-talk-about-mining-not-agriculture> [Accessed 24 April 2019].

Wood Mackenzie provided mine-level data on iron ore mining operations.

Attachment A – Introduce a genuine mining super-profits tax – financial implications

Table A1: Introduce a genuine mining super-profits tax – 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													
<i>Mining super-profits tax</i>	5,700	3,900	3,900	4,100	5,200	10,500	12,200	12,600	12,700	12,700	12,800	17,600	96,400
<i>Income taxes</i>	-700	-1,800	-1,200	-1,200	-1,500	-2,700	-3,500	-3,800	-3,900	-3,900	-3,900	-4,900	-28,000
Total – revenue	5,000	2,100	2,700	2,900	3,700	7,800	8,700	8,800	8,800	8,800	8,900	12,700	68,400
Expenses													
<i>Departmental expenses – Australian Taxation Office</i>	-45	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-135	-345
Total – expenses	-45	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-135	-345
Total	4,955	2,070	2,670	2,870	3,670	7,770	8,670	8,770	8,770	8,770	8,870	12,565	68,055

- (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: Introduce a genuine mining super-profits tax – 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													
<i>Mining super-profits tax</i>	4,300	4,400	3,900	4,100	4,900	9,200	11,800	12,500	12,700	12,700	12,800	16,600	93,200
<i>Income taxes</i>	-700	-1,800	-1,200	-1,200	-1,500	-2,700	-3,500	-3,800	-3,900	-3,900	-3,900	-4,900	-28,000
Total – receipts	3,600	2,600	2,700	2,900	3,400	6,500	8,300	8,700	8,800	8,800	8,900	11,700	65,200
Payments													
<i>Departmental expenses – Australian Taxation Office</i>	-45	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-135	-345
Total – payments	-45	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-135	-345
Total	3,555	2,570	2,670	2,870	3,370	6,470	8,270	8,670	8,770	8,770	8,870	11,565	64,855

- (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.



Policy costing

Establish a Federal Housing Trust to construct 500,000 public and community homes, and related measures

Party:

Australian Greens

Summary of proposal:

This proposal has five components.

- Component 1 – Federal Housing Trust
 - This component would establish a Federal Housing Trust (the Trust) for the construction of 500,000 new residential dwellings over 15 years.
 - The Commonwealth Government would provide two-thirds of the required funding, and state and territory governments would provide the remaining one-third. Contributions from state and territory governments could include provisions of land, either as free title or leasehold.
 - The Trust would be established outside the general government sector and would construct residential dwellings, manage tenancies and sell dwellings to low-income households, in partnership with state and territory governments and affordable housing providers. It is intended that the Trust would cover its costs through rental income and sales of properties to low-income households.
 - The funding provided per dwelling would be \$300,000 in 2019-20 (on average), including the costs of construction and land acquisition. Funding would be indexed in line with land and construction costs.
 - The Commonwealth Government's contributions would be funded by issuing Commonwealth Government guaranteed bonds to wholesale or institutional investors. These bonds would pay a fixed interest rate reflecting the 10-year Commonwealth Government bond rate compounded monthly, paid annually, and maturing after 10 years.
 - The funds raised through bond issuance by the Commonwealth Government would be lent to the Trust, which would then be used to fund land acquisitions and dwelling constructions. Loans to the Trust by the Commonwealth Government would have a fixed interest rate equal to the Commonwealth Government's borrowing rate, compounded monthly, payable annually, and with 10-year maturity.
- Component 2 – Capital Grant Fund
 - This component would establish a Capital Grant Fund (the Fund) to provide state and territory governments with \$1,500 million each year for the first three years, and then \$2,500 million divided evenly over the next seven years for housing improvements and construction.
- Component 3 – Boost tenancy advocacy services
 - This component would boost tenancy advocacy services by \$30 million each year, indexed by the consumer price index (CPI), for 10 years from 1 July 2019.

- Component 4 – Increase funding for transitional housing and crisis services
 - This component would increase funding for transitional housing and crisis services by \$500 million each year, indexed by the CPI and guaranteed for 10 years.
- Component 5 – Reverse the expansion of the Commonwealth Divestment Program
 - This component would reverse the 2019-20 Budget measure *Expansion of the Commonwealth Divestment Program*.

The proposal would commence from 1 July 2019.

Costing overview

This proposal would be expected to decrease the fiscal balance by \$9,863 million, the underlying cash balance by \$7,363 million, and the headline cash balance by \$35,163 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, the impact reflects an increase in revenue of \$2,000 million, an increase in administered expenses of \$10,251 million, an increase in departmental expenses of \$12 million, and an increase in public debt interest (PDI) of \$1,600 million over the 2019-20 Budget forward estimates period.

All components of the proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period. Estimates would vary significantly over the period to 2029-30 because bond maturity, loan repayments and the unwinding of the concessional loan discount expense largely occur beyond the 2019-20 Budget forward estimates period.

Components 2, 3 and 4 are capped funding proposals for specific programs. The financial implications of the proposal would continue until all of the bonds mature and all loans have been repaid in 2043-44. A breakdown of the financial implications of the proposal is provided at [Attachment A](#).

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

The impacts on the fiscal, underlying cash and headline cash balances differ due to their treatment of the concessional loans from the Commonwealth Government to the Trust, and the flow of interest and principal payments. Only the fiscal balance captures the estimates of income and expenses relating to the concessional loan discount, and only the headline cash balance captures the changes in loans issued and principal repayments. A note on the accounting treatment of concessional loans is included at [Attachment B](#).

The estimates are subject to uncertainties around assumptions about economic parameters such as the interest rate on 10-year Commonwealth Government bonds, land costs, and construction costs. The actual financial implications may vary significantly from the estimates if the underlying parameters differ from the assumptions. The PBO has not undertaken any analysis of whether the prescribed funding arrangements, including the bond and loan interest rates, and the specified average cost per dwelling (\$300,000 in 2019-20), would be adequate to achieve the desired outcomes of the proposal. The costing has not incorporated any flow-on impacts on property prices, rents or on the supply and demand of residential properties because these impacts are highly uncertain.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-2,840	-2,743	-2,755	-1,526	-9,863
Underlying cash balance	-2,140	-2,043	-2,155	-1,026	-7,363
Headline cash balance	-8,840	-8,843	-9,155	-8,226	-35,163

(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 Component 1 of this proposal.

- The construction of residential dwellings would occur evenly over the 15-year period.
- The Commonwealth Government would issue sufficient Commonwealth Government-guaranteed bonds at the start of the financial year to meet its contribution (two-thirds) to the proposal's total funding requirement. As specified, these bonds would be issued at the 10-year bond rate, which would be equal to the interest rate on PDI. The PDI line in the costing therefore shows the interest cost to the Commonwealth Government of the bonds issued to fund this proposal.
- The funds raised by the Commonwealth Government will be immediately on-lent to the Trust on the same day. As a result, the Trust would pay interest to the Commonwealth Government on the same day that interest on the Commonwealth Government bonds is due.
- The interest rate on 10-year Commonwealth Government bonds would be expected to increase over the period to 2033-34 (the last year the Commonwealth Government would need to provide funding to the Trust) in line with the PBO's forecast of the Commonwealth Government's borrowing cost.
- The market 10-year borrowing cost for the Trust would be equal to the 10-year bond rate for non-financial corporate A-rated bonds.
- The cost of construction and land acquisition would increase at a rate consistent with historical growth in the average price of new residential dwellings purchased by owner-occupiers, based on data from the Australian Bureau of Statistics.
- There is sufficient capacity within the building industry to construct the specified number of dwellings over the 15-year timeframe.

Methodology

Component 1

As the Trust would be established as an entity outside the general government sector, its operations would not have a direct impact on the Commonwealth Budget. The financial impact of this component of the proposal therefore reflects the impact of loans from the Commonwealth to the Trust.

Under the proposal, the Commonwealth Government would provide two-thirds of the construction costs of the specified number of residential dwellings through the Trust, with funds raised from issuing

Government-guaranteed bonds. The total value of the bonds to be issued in the first year of the proposal was calculated by multiplying the average cost per dwelling by the number of dwellings to be constructed. This amount was then projected over the 15-year period using historical average growth rates.

The proposal specified that the Commonwealth Government would charge the same interest rate on loans to the Trust as the interest rate on the Government-guaranteed bonds. As interest on the Government-guaranteed bonds would be at a discount to the prevailing market interest rate for similar housing development projects, the costing included a concessional loan discount component, estimated based on the Department of Finance's *Resource Management Guide 115 - Accounting for concessional loans* policy guidelines.

Component 2

Administered expenses for Component 2 are as specified in the request.

Components 3 and 4

For Component 3 and 4, estimates were calculated by multiplying the specified funding amounts of \$30 million and \$500 million by the projected CPI growth factors over the period to 2029-30.

Component 5

Component 5 has been costed as unquantifiable because the terms of future commercial transactions are not available to the PBO.

All components

For Component 1, estimates of revenue and administered expenses have been rounded to the nearest \$100 million.

For Components 2, 3 and 4, administered expense estimates have been rounded to the nearest \$1 million.

PDI expense estimates have been rounded to the nearest \$100 million.

Departmental expense estimates have been rounded to the nearest \$1 million.

Data sources

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

Reserve Bank of Australia, 2019. *Aggregate measures of Australian corporate bond spreads and yields*, Sydney: Reserve Bank of Australia.

The Department of Finance, 2016. *Resource Management Guide 115 - Accounting for concessional loans*, Canberra: Commonwealth of Australia.

Attachment A – Establish a Federal Housing Trust to construct 500,000 public and community homes, and related measures – financial implications

Table A1: Establish a Federal Housing Trust to construct 500,000 public and community homes, and related measures – 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													
<i>Income from unwinding concessional loan discount (Component 1 – Federal Housing Trust)</i>	100	100	200	300	400	400	500	600	700	800	800	700	4,900
<i>Interest payment from the Trust (Component 1 – Federal Housing Trust)</i>	100	300	400	500	700	1,000	1,300	1,600	1,900	2,300	2,300	1,300	12,300
Total – revenue	200	400	600	800	1,100	1,400	1,800	2,200	2,600	3,100	3,100	2,000	17,200
Expenses													
<i>Concessional loan discount (Component 1 – Federal Housing Trust)</i>	-800	-800	-800	-800	-800	-800	-800	-800	-900	-900	-200	-3,200	-8,500
<i>Component 2 – Capital Grant Fund</i>	-1,500	-1,500	-1,500	-357	-357	-357	-357	-357	-357	-357	-	-4,857	-7,000
<i>Component 3 – Boost tenancy advocacy services</i>	-30	-31	-31	-32	-33	-34	-35	-35	-36	-37	-	-124	-335
<i>Component 4 – Increase funding for transitional house and crisis services</i>	-500	-511	-523	-536	-549	-563	-577	-592	-606	-622	-637	-2,070	-6,216
<i>Component 5 – Reverse the expansion of the Commonwealth Divestment Program</i>	*	*	*	*	*	*	*	*	*	*	*	*	*
<i>Departmental (Component 1 – Federal Housing Trust)</i>	-10	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-12	-15
Total – expenses	-2,840	-2,843	-2,855	-1,726	-1,740	-1,755	-1,770	-1,785	-1,900	-1,917	-838	-10,263	-22,066
Total (excluding PDI)	-2,640	-2,443	-2,255	-926	-640	-355	30	415	700	1,183	2,262	-8,263	-4,866
PDI impacts	-200	-300	-500	-600	-800	-1,100	-1,400	-1,700	-2,000	-2,000	-1,800	-1,600	-12,400
Total (including PDI)	-2,840	-2,743	-2,755	-1,526	-1,440	-1,455	-1,370	-1,285	-1,300	-817	462	-9,863	-17,266

(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.

* Unquantifiable.

- Indicates nil.

Table A2: Establish a Federal Housing Trust to construct 500,000 public and community homes, and related measures – 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													
<i>Interest payment from the Trust (Component 1 – Federal Housing Trust)</i>	100	300	400	500	700	1,000	1,300	1,600	1,900	2,300	2,300	1,300	12,300
Total – receipts	100	300	400	500	700	1,000	1,300	1,600	1,900	2,300	2,300	1,300	12,300
Payments													
<i>Component 2 – Capital Grant Fund</i>	-1,500	-1,500	-1,500	-357	-357	-357	-357	-357	-357	-357	-	-4,857	-7,000
<i>Component 3 – Boost tenancy advocacy services</i>	-30	-31	-31	-32	-33	-34	-35	-35	-36	-37	-	-124	-335
<i>Component 4 – Increase funding for transitional house and crisis services</i>	-500	-511	-523	-536	-549	-563	-577	-592	-606	-622	-637	-2,070	-6,216
<i>Component 5 – Reverse the expansion of the Commonwealth Divestment Program</i>	*	*	*	*	*	*	*	*	*	*	*	*	*
<i>Departmental (Component 1 – Federal Housing Trust)</i>	-10	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-12	-15
Total – payments	-2,040	-2,043	-2,055	-926	-940	-955	-970	-985	-1,000	-1,017	-638	-7,063	-13,566
Total (excluding PDI)	-1,940	-1,743	-1,655	-426	-240	45	330	615	900	1,283	1,662	-5,763	-1,266
PDI impacts	-200	-300	-500	-600	-800	-1,100	-1,400	-1,700	-2,000	-2,000	-1,800	-1,600	-12,400
Total (including PDI)	-2,140	-2,043	-2,155	-1,026	-1,040	-1,055	-1,070	-1,085	-1,100	-717	-138	-7,363	-13,666

(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.

* Unquantifiable.

- Indicates nil.

Table A3: Establish a Federal Housing Trust to construct 500,000 public and community homes, and related measures – 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													
<i>Interest payment from the Trust (Component 1 – Federal Housing Trust)</i>	100	300	400	500	700	1,000	1,300	1,600	1,900	2,300	2,300	1,300	12,300
<i>Loan repayment from the Trust (Component 1 – Federal Housing Trust)</i>	-	-	-	-	-	-	-	-	-	6,700	6,800	-	13,500
Total – receipts	100	300	400	500	700	1,000	1,300	1,600	1,900	9,000	9,100	1,300	25,800
Payments													
<i>Loans to the Trust (Component 1 – Federal Housing Trust)</i>	-6,700	-6,800	-7,000	-7,200	-7,400	-7,600	-7,800	-8,000	-8,300	-8,500	-8,700	-27,800	-84,200
<i>Component 2 – Capital Grant Fund</i>	-1,500	-1,500	-1,500	-357	-357	-357	-357	-357	-357	-357	-	-4,857	-7,000
<i>Component 3 – Boost tenancy advocacy services</i>	-30	-31	-31	-32	-33	-34	-35	-35	-36	-37	-	-124	-335
<i>Component 4 – Increase funding for transitional house and crisis services</i>	-500	-511	-523	-536	-549	-563	-577	-592	-606	-622	-637	-2,070	-6,216
<i>Component 5 – Reverse the expansion of the Commonwealth Divestment Program</i>	*	*	*	*	*	*	*	*	*	*	*	*	*
<i>Departmental (Component 1 – Federal Housing Trust)</i>	-10	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-12	-15
Total – payments	-8,740	-8,843	-9,055	-8,126	-8,340	-8,555	-8,770	-8,985	-9,300	-9,517	-9,338	-34,863	-97,766
Total (excluding PDI)	-8,640	-8,543	-8,655	-7,626	-7,640	-7,555	-7,470	-7,385	-7,400	-517	-238	-33,563	-71,966
PDI impacts	-200	-300	-500	-600	-800	-1,100	-1,400	-1,700	-2,000	-2,000	-1,800	-1,600	-12,400
Total (including PDI)	-8,840	-8,843	-9,155	-8,226	-8,440	-8,655	-8,870	-9,085	-9,400	-2,517	-2,038	-35,163	-84,366

(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.

* Unquantifiable.

- 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 impact¹

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.



Policy costing

Phase out the current tax treatment of negative gearing and the capital gains tax discount	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>The proposal has three components.</p> <ul style="list-style-type: none">• Component 1 – Phase out the capital gains tax discount<ul style="list-style-type: none">– This component would progressively phase out the 50 per cent capital gains tax discount for trusts and individuals for capital gains realised on or after 1 July 2019, and replace it with cost-base indexation (the indexation method).<ul style="list-style-type: none">◆ The capital gains tax discount would be phased out by 10 percentage points each year for five years to 1 July 2023. During the transition period, individuals and trusts could elect to apply the relevant capital gains tax discount or the indexation method.◆ In calculating the capital gains for assets under the indexation method, individuals and trusts would be able to index the cost base of assets held for at least 12 months so that tax is only applied to real capital gains. The cost base would be indexed by the consumer price index (CPI).• Component 2 – End negative gearing for prospective investment properties<ul style="list-style-type: none">– 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 properties purchased by individuals, funds, trusts and companies on or after 1 July 2019, with assets purchased prior to this date grandfathered.<ul style="list-style-type: none">◆ Deductions would be restricted to the same class of asset in which the losses were incurred.◆ Those affected would not be able to carry forward within-year losses to offset future rental gains, nor to offset the ultimate capital gain when the asset is sold.• Component 3 – Phase out negative gearing for existing investment properties<ul style="list-style-type: none">– This component would phase out negative gearing deductions for individuals, funds, trusts and companies with more than one investment property purchased before 1 July 2019, according to the phase-out profile at Attachment A. <p>All components would have effect from 1 July 2019.</p>	

Costing overview

Policy background

Capital gains tax discount

The capital gain from an investment is the difference between 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 and trusts applies at a rate of 50 per cent of the capital gain where investments are held for at least 12 months.

The proposal would phase out the current capital gains tax discount of 50 per cent over five years, and replace it with cost-base indexation. This means that capital gains would be discounted for inflation, with tax payable on only the 'real' value of capital gains. Over the last two decades, assets held for longer than 12 months have grown faster than twice the rate of inflation, meaning that cost-base indexation would be expected to result in a smaller average discount than the existing 50 per cent capital gains tax discount. Cost-base indexation would, however, provide a larger discount to assets that grow at a low or negative rate.

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 for property investment exceed the value of investment income from the same asset class, they can be used to offset other income, including other investment income, or income from salary and wages. For the purpose of this costing, 'negative gearing' refers to a situation where investment-related deductions for property exceed the total value of investment-related income for property.

The proposal would end the tax deductibility of negative gearing for property 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 within the property asset class. The taxable income of some negatively-g geared investors would increase as a result of the proposal, meaning there would be an increase in tax receipts. Assets purchased before 1 July 2019 would be grandfathered from the changes to negative gearing, although individuals, funds, trusts and companies with more than one investment property would have their negative gearing deductions phased out, with the exception of those deductions on their first investment property.

Financial implications

This proposal would be expected to increase both the fiscal and underlying cash balances by \$9,477 million over the 2019-20 Budget forward estimates period. The impact reflects an increase in revenue of \$9,500 million, partially offset by an increase in departmental expenses of \$23 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	90	1,993	3,197	4,297	9,477
Underlying cash balance	90	1,993	3,197	4,297	9,477

(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 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 July 2019) eventually declines to zero. The detailed financial implications of the proposal over the period to 2029-30 are included at [Attachment B](#).

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 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, or bringing forward the sale of assets to avoid a higher rate of tax on capital gains. 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.

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*.

Key assumptions

The Parliamentary Budget Office 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. The CPI grows in line with 2019-20 Budget estimates over the period to 2029-30. Some capital gains tax assets grow at a faster rate, while some grow at a slower rate.
 - The costing is sensitive to these assumptions. When growth in capital gains tax assets is low (or negative), the indexation method is likely to be more generous than the current 50 per cent discount. When growth rates are high, the discount method is likely to be more generous.
 - In the transition period where the capital gains tax discount is phased out, the proportion of individuals and trusts selling capital gains tax assets that would elect to use the indexation method increases each year. The indexation method is generally less concessional than the current 50 per cent capital gains tax discount, but more concessional than the capital gains tax discounts in the proposed transition period given current economic parameters.

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 proposals are disposed over a maximum period of 20 years.²

Behavioural responses

- Bring-forward of asset sales: some investors would bring forward the sale of assets in order to maximise the capital gains tax discount.
 - 5 per cent of affected asset sales would be brought forward from 2019-20 to 2018-19, 2.5 per cent would be brought forward from 2020-21 to 2019-20, and 1.25 per cent would be brought forward by 12 months for each of the remaining three years in the transition period.
- Bring-forward of asset purchases: some taxpayers would bring forward the purchase of assets affected by the negative gearing policy proposal 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 2019-20 would be brought forward to 2018-19, and 10 per cent of affected asset purchases in 2020-21 would be brought forward to 2018-19.
 - In the absence of this behavioural response, the financial implications of the proposal would be around 2 per cent higher over the period to 2029-30.
- Alternative investments: individuals would increase the use of alternate 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.

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.

- In the absence of this behavioural response, the financial implications of the capital gains tax component of the proposal would be around 5 per cent higher over the period to 2029-30.
- 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 12 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 12 per cent higher over the period to 2029-30.

Methodology

Component 1 – Phase out the capital gains tax discount

- The expected revenue collections were calculated with the current discount (the base scenario) and with the proposed discount (in the transition period) or indexation method.
 - The amount of assessable income from capital gains was estimated for each year over the period to 2029-30, based on current revenue estimates and projections of capital gains tax.
 - 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.
 - The tax payable in each year under the indexation method was calculated by multiplying the capital gains tax base by the difference in the assumed growth rate and inflation as measured by the CPI, then multiplying this by the average marginal tax rate.
 - The tax payable under the discount method was calculated by multiplying the capital gains tax base by the assumed growth rate, with the discount applied, then multiplying this by the average marginal tax rate.
 - The more generous method was determined by comparing the tax payable under each method.
- The baseline amount of capital gains tax was adjusted to account for the behavioural responses identified above.

Component 2 – End negative gearing for prospective investment properties, and Component 3 – Phase out negative gearing for existing investment properties

- The costing of these components 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.
 - This amount was adjusted to account for the phase-out period, grandfathering provisions and the behavioural responses identified above. The change in tax revenue from the proposal was then calculated using this adjusted amount.

³ A 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 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.

General methodology

- The capital gains tax component does not materially interact with the negative gearing components, and these interactions have not been separately quantified. Under the proposal, negative gearing deductions denied would not be carried forward to offset the ultimate capital gain when the asset is sold, which means that net capital gains are not directly affected by the denial of deductions.
- This costing takes account of 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.

The Treasury, 2019. *2018 Tax Benchmarks and Variations Statement*, Canberra: The Treasury.

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.

Attachment A – Phase out the current tax treatment of negative gearing and the capital gains tax discount – phase-out profile for Component 3

The table below details the specification as outlined in the request (that is, the proportion of negative gearing deductions that would be allowed in each year for each investment property acquired prior to 1 July 2019).

Table A1: Component 3 – Phase out negative gearing for existing investment properties: Phase-out profile (percentage of negative gearing deductions allowed)

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
First property ^(a)	100	100	100	100	100	100	100	100	100	100	100
Second or more properties	80	60	40	20	0	0	0	0	0	0	0

(a) The 'first property', for the purpose of this costing, is the property from which rental income was derived at the earliest date across all residential properties owned by the individual, fund, trust or company.

Attachment B – Phase out the current tax treatment of negative gearing and the capital gains tax discount – financial implications

Table B1: Phase out the current tax treatment of negative gearing and the capital gains tax discount – 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													
<i>Component 1 – Phase out the capital gains tax discount</i>	100	1,200	1,400	1,500	1,600	1,600	1,700	1,800	1,900	2,000	2,100	4,100	16,800
<i>Component 2 – End negative gearing for prospective investment properties</i>	..	800	1,700	2,600	3,400	4,300	4,700	5,400	6,000	6,700	7,200	5,100	42,700
<i>Component 3 – Phase out negative gearing for existing properties</i>	..	..	100	200	200	200	200	200	100	100	..	300	1,300
Total – revenue	100	2,000	3,200	4,300	5,200	6,100	6,600	7,400	8,000	8,800	9,300	9,500	60,800
Expenses													
<i>Departmental</i>													
<i>Component 1 – Phase out the capital gains tax discount</i>	-3	-2	-1	-1	-1	-	-	-	-	-	-	-7	-8
<i>Component 2 – End negative gearing for prospective investment properties</i>	-6	-4	-1	-1	-1	-1	-1	-1	-1	-1	-1	-12	-19
<i>Component 3 – Phase out negative gearing for existing properties</i>	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-4	-11
Total – expenses	-10	-7	-3	-3	-3	-2	-2	-2	-2	-2	-2	-23	-38
Total	90	1,993	3,197	4,297	5,197	6,098	6,598	7,398	7,998	8,798	9,298	9,477	60,762

(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.



Policy costing

Bridging finance for state and territory governments to transition from stamp duty towards land tax

Party:

Australian Greens

Summary of proposal:

Under this proposal the Commonwealth Government would provide concessional loans to state and territory governments, excluding the Australian Capital Territory (ACT), to facilitate the replacement of the existing stamp duty on sales of residential and non-residential properties with a broad-based land tax.

From 1 July 2023, property acquisitions would not be liable for stamp duty, but would instead be liable for an ongoing land tax.

The Commonwealth would lend to state and territory governments any shortfall between the expected stamp duty and land tax revenue for each financial year. These loans would be made in advance. Interest rates on the loans from the Commonwealth Government to state and territory governments would be set at half of the Commonwealth's borrowing cost. State and territory governments would transfer any surplus land tax revenue to the Commonwealth Government until the loans are fully paid off.

The land tax rates would be set by state and territory governments at a level that would allow them to fully repay the loans from the Commonwealth Government by 30 June 2036.

Land tax would not apply to land owned by local, state or Commonwealth governments, pastoral leases, or native title or freehold title held by Aboriginal Land Councils.

Costing overview

This proposal would not have an impact on the fiscal balance, the underlying cash balance or the headline cash balance over the 2019-20 Budget forward estimates period because the commencement date of the proposal is outside this period.

This proposal would be expected to have an ongoing impact 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](#).

Departmental expenses associated with administering the proposal would not be expected to be significant and have not been included.

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.

The impacts on the fiscal, underlying cash and headline cash balances differ due to the treatment of the concessional loans from the Commonwealth Government to state and territory governments, and the flow of interest and principal payments back to the Commonwealth Government. 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 the changes in loans issued and principal repayments. A note on the accounting treatment of concessional loans is included at [Attachment B](#).

This costing depends upon assumptions concerning the number of properties sold in future years and the value of these properties, which are highly uncertain and can vary significantly from year to year. There is also considerable uncertainty surrounding estimates of stamp duty revenue beyond the 2019-20 Budget forward estimates period, particularly for states that have experienced strong growth, and subsequently sharp falls, in property prices and transaction volumes in recent years, and some uncertainty around economic parameters such as the interest rate on Commonwealth Government bonds.

The PBO has not included any impacts on property prices or on the supply and demand of residential and non-residential properties as a result of this proposal due to the difficulty in estimating behavioural responses.

The 2009-10 Australia’s Future Tax System Review highlighted that a broad-based land tax is a more economically efficient tax than stamp duty. This implies that replacing stamp duty with a broad-based land tax would increase economic activity over the medium to long term. As tax revenue generally increases in line with economic activity, this would be expected to increase taxation revenue over time. As the timing and magnitude of the macroeconomic impact of the proposal are highly uncertain, the PBO has not included it.

Table 1: Financial implications (\$m)

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

- Indicates nil.

Key assumptions

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

- State and territory governments would agree to participate in the scheme.
- State and territory stamp duty revenue would increase at the average growth rate estimated using recent data and forecasts from state and territory governments.
 - If the growth rate is calculated to be negative over the 2019-20 Budget forward estimates period, then the growth rate beyond the 2019-20 Budget forward estimates period has been set to zero.
- On the first day of each financial year, the Commonwealth Government would issue bonds with value equivalent to the difference between the expected stamp duty and land tax revenue, and then immediately lend the money to state and territory governments in one lump sum.

- The proposed land tax would be payable, in arrears, on a quarterly basis. This results in less than a full year's worth of land tax being collected in the first year of the proposal.
- State and territory governments would pay the Commonwealth Government the interest charged on the outstanding loan balance when the Commonwealth Government is due to pay its interest expenses on the bonds issued to finance the loans.
- The number of residential properties sold in a state or territory is based on Australian Bureau of Statistics (ABS) data and would grow in line with the projected population growth rate of that state or territory.
 - The turnover rate for non-residential properties would be around 5 per cent per year, based on research published by the Reserve Bank of Australia.
- Property prices would grow in line with the average growth rate of the last 15 years.
- Over the period to 2029-30, approximately half of all existing properties are assumed to be sold at least once.
- The changes in state and territory governments' revenue as a result of the proposal would not affect the goods and services tax distribution amongst states and territories.

Methodology

The expected stamp duty revenue for state and territory governments (excluding the ACT, as per the specification) over the period to 2035-36 was estimated using data from state and territory governments' budgets.

The values, types and numbers of properties (including new properties) sold in each relevant state and territory were calculated based on data from the ABS and the assumptions listed above for each year over the period to 2029-30. The properties in each relevant state and territory were sorted into deciles based on the overall land value and split between capital city properties and non-capital city properties.

These calculated property figures were then used to estimate:

- the amount of land tax revenue for each state and territory, based on the land tax rates that would allow state and territory governments to repay all of the loans from the Commonwealth Government by the end of the 2035-36 financial year
- the loan cash flows for each year, which were calculated as the amount of new concessional loans provided by the Commonwealth Government each year less any repayments from state and territory governments.

Interest, equal to half of the Commonwealth bond rate in the year the loan is made (as per the specification), was applied to the amount of loans outstanding at the start of each year.

All estimates have been rounded to the nearest \$100 million.

Data sources

ABS, 2013. *Population Projections, Australia, 2012 (base) to 2101* (Cat. No. 3222.0), Canberra: Commonwealth of Australia.

ABS, 2019. *Residential Property Price Indexes: Eight Capital Cities* (Cat. No. 6416.0), Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2010. *Australia's Future Tax System Review*, Canberra: Commonwealth of Australia.

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

Department of Environment, Land, Water and Planning, 2015. *A Guide to Property Values – Statistics 2015*, Melbourne: State of Victoria.

Reserve Bank of Australia, 2017. *Housing Market Turnover – RBA Bulletin March 2017*, Sydney: Reserve Bank of Australia.

Taylor E., Wood G., Cigdem M., Ong R., 2012. *The spatial and distributional impacts of the Henry Review recommendations on stamp duty and land tax*, Perth: Australian Housing and Urban Research Institute.

Stamp duty forecasts were taken from the budget papers published by state and territory governments.

Attachment A – Bridging finance for state and territory governments to transition from stamp duty towards land tax – financial implications

Table A1: Bridging finance for state and territory governments to transition from stamp duty towards land tax – 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													
<i>Loan interest from state and territory governments</i>	-	-	-	-	300	600	800	1,100	1,200	1,300	1,300	-	6,700
<i>Income from unwinding concessional loan discount</i>	-	-	-	-	-	-	300	500	700	900	1,100	-	3,600
Total – revenue	-	-	-	-	300	600	1,100	1,600	1,900	2,200	2,400	-	10,300
Expenses													
<i>Concessional loan discount expense</i>	-	-	-	-	-2,700	-2,800	-2,500	-1,900	-1,400	-700	..	-	-12,000
Total – expenses	-	-	-	-	-2,700	-2,800	-2,500	-1,900	-1,400	-700	-	-	-12,000
Total (excluding PDI)	-	-	-	-	-2,400	-2,200	-1,400	-300	500	1,500	2,400	-	-1,700
PDI impacts	-	-	-	-	-600	-1,100	-1,700	-2,200	-2,500	-2,800	-2,900	-	-13,700
Total (including PDI)	-	-	-	-	-3,000	-3,300	-3,100	-2,500	-2,000	-1,300	-500	-	-15,400

(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: Bridging finance for state and territory governments to transition from stamp duty towards land tax – 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													
<i>Loan interest from state and territory governments</i>	-	-	-	-	300	600	800	1,100	1,200	1,300	1,300	-	6,700
Total – receipts	-	-	-	-	300	600	800	1,100	1,200	1,300	1,300	-	6,700
Total (excluding PDI)	-	-	-	-	300	600	800	1,100	1,200	1,300	1,300	-	6,700
PDI impacts	-	-	-	-	-500	-1,100	-1,700	-2,100	-2,500	-2,800	-2,900	-	-13,500
Total (including PDI)	-	-	-	-	-200	-500	-900	-1,000	-1,300	-1,500	-1,600	-	-6,800

(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: Bridging finance for state and territory governments to transition from stamp duty towards land tax – 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													
<i>Loan interest from state and territory governments</i>	-	-	-	-	300	600	800	1,100	1,200	1,300	1,300	-	6,700
<i>Loan principal repayments</i>	-	-	-	-	-	-	-	-	-	-	100	-	100
Total – receipts	-	-	-	-	300	600	800	1,100	1,200	1,300	1,400	-	6,800
Payments													
<i>Loans to state and territory governments</i>	-	-	-	-	-21,000	-17,900	-14,900	-11,400	-7,900	-4,100	-300	-	-77,500
Total – payments	-	-	-	-	-21,000	-17,900	-14,900	-11,400	-7,900	-4,100	-300	-	-77,500
Total (excluding PDI)	-	-	-	-	-20,700	-17,300	-14,100	-10,300	-6,700	-2,800	1,100	-	-70,700
PDI impacts	-	-	-	-	-500	-1,100	-1,700	-2,100	-2,500	-2,800	-2,900	-	-13,500
Total (including PDI)	-	-	-	-	-21,200	-18,400	-15,800	-12,400	-9,200	-5,600	-1,800	-	-84,200

(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 impact¹

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.



Policy costing

Create a Nature Fund, land manager training positions, and related measures

Party: Australian Greens

Summary of proposal:

This proposal consists of 11 components. Departmental expenses for the components are included in capped amounts, unless otherwise specified.

- Component 1 – Department of the Environment and Energy
 - Element 1: Provide \$1,235.7 million, with the following profile, from 2019-20 to 2029-30 to the Department of the Environment and Energy (the Department) to hire additional staff.

	2019– 20	2020– 21	2021– 22	2022– 23	2023– 24	2024– 25	2025– 26	2026– 27	2027– 28	2028– 29	2029– 30
\$m	39.0	71.0	96.0	111.0	116.0	120.0	126.0	131.0	136.0	142.0	147.7

- Element 2: Provide \$40 million per year from 2019-20 to 2023-24 to the Department to produce and update Threatened Species Recovery Plans.
- Element 3: Provide \$20 million per year from 2019-20 to 2029-30 to the Department to administer a grants funding program to deliver conservation covenant monitoring.
- Element 4: Provide \$1.5 million per year from 2019-20 to 2029-30 to the Long-term Ecological Research Network.
- Element 5: Provide \$3 million per year from 2019-20 to 2029-30 to the National Climate Change Adaption Research Facility.
- Component 2 – National Reserve System program

- Element 1: Provide \$15 million to the Department of the Prime Minister and Cabinet in 2019-20 to tender an expansion of the Indigenous Protected Areas network.
- Element 2: Provide additional funding of \$20 million per year from 2019-20 to 2029-30 to the Indigenous Protected Areas program through the Department of the Prime Minister and Cabinet.
- Element 3: Provide \$78.3 million, with the following profile, from 2019-20 to 2029-30 to establish land parcels that are free of invasive species:

	2019– 20	2020– 21	2021– 22	2022– 23	2023– 24	2024– 25	2025– 26	2026– 27	2027– 28	2028– 29	2029– 30
\$m	3.83	5.06	6.29	7.52	8.75	9.98	7.38	7.38	7.38	7.38	7.38

- Element 4: Provide \$0.8 million per year from 2019-20 to 2022-23 to the Australian Seed Bank Partnership.
- Element 5: Provide funding to the National Reserve System program, which would take the total funding for this component to \$200 million per year from 2019-20 to 2029-30.

- Component 3 – Land managers
 - Provide funding to train and employ land managers from 2019-20.
 - ◆ Element 1: 2,000 places in land manager training would be offered each year from 2019-20 to 2023-24. This element would comprise free Technical and Further Education (TAFE) training but would not involve any additional stipends. Recipients of a training place must be Australian residents for tax purposes.
 - ◆ Element 2: Upon successful completion of their training, graduates would be employed by the Commonwealth Government as land managers. All land managers would be Australian residents for tax purposes.
- Component 4 – Landscape restoration
 - Element 1: Provide \$83.5 million per year from 2019-20 to 2029-30 to Landcare.
 - Element 2: Provide \$5.3 million per year from 2019-20 to 2029-30 to fund the ‘Whole of Paddock Rehabilitation’ program.
 - Element 3: Provide \$72.5 million per year from 2019-20 to 2023-24 to establish the ‘Local Greening Program’ grants program for local councils.
 - Element 4: Provide funding to establish a grants program that would provide \$25,000 packages to landowners to fund conservation works. The total funding would be \$25 million in 2019-20 and would be indexed by the wage price index each year until 2029-30.
 - Element 5: Provide funding which would take total funding for this component to \$500 million per year from 2019-20 to 2029-30.
- Component 5 – Invasive species
 - Provide \$140 million per year from 2019-20 to 2029-30 to develop invasive species threat abatement plans and a National Invasive Species Action Plan.
- Component 6 – Threatened Species Recovery Plans
 - Provide \$455 million per year for the implementation of Threatened Species Recovery Plans over the period from 2019-20 to 2029-30.
- Component 7 – Farming subsidies
 - Provide \$80 million per year in ongoing grants funding for agricultural purchases of non-synthetic farming inputs and runoff-reducing infrastructure.
- Component 8 – National Bushfire Mitigation Program
 - Re-instate the National Bushfire Mitigation Program and provide funding of \$9.5 million per year from 2019-20 to 2021-22.
- Component 9 – Director of National Parks
 - Provide additional funding of \$578.9 million, with the following profile, to the Director of National Parks from 2019-20 to 2029-30.

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
\$m	44.0	48.0	50.0	51.0	52.0	53.0	54.0	55.0	56.0	57.0	58.9

- Component 10 – Commercial fisheries compensation
 - Provide \$247 million from 2019-20 to 2022-23 to make compensation payments to commercial fisheries.

- Component 11 – Environmental Defenders' Offices and Conservation Councils
 - Provide ongoing funding to Environmental Defenders' Offices and Conservation Councils.
 - ♦ Administered funding for Environment Defenders' Offices would start at \$3.8 million in 2019-20 and would be indexed by the consumer price index (CPI).
 - ♦ Administered funding for Conservation Councils would start at \$5.8 million per year and would be indexed by CPI.
 - ♦ Departmental expenses for this component only would be additional to the capped amounts.

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 \$6,711.4 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of \$5,732.8 million, and an increase in departmental expenses of \$1,119.6 million. These departmental expenses reflect additional staffing levels and expenses related to delivering programs. The increases in expenditure are partially offset by an increase in revenue of \$141.0 million.

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](#).

This costing involves 11 components, nine of which consist only of specified capped amounts. As a result, there is a high degree of certainty around the aggregate expenditure estimates of the proposal. There is, however, some uncertainty around the ratio of departmental to administered expenses for this expenditure. Component 3 is highly sensitive to the assumptions made around training completion rates and employment turnover. The taxation revenue estimates in Components 1 and 3 are sensitive to assumptions around wage increases and the taxable incomes of individuals. While Element 1 of Component 1 and Element 2 of Component 3 would explicitly increase Commonwealth Government staffing levels, and therefore income taxation revenue, any employment and revenue impacts of other components are more uncertain and have not been taken into account.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-1,596.7	-1,629.8	-1,699.0	-1,785.8	-6,711.4
Underlying cash balance	-1,596.7	-1,629.8	-1,699.0	-1,785.8	-6,711.4

(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.

- All grants would be fully taken up.

Component 1: Element 1 – Department of Environment and Energy staffing levels

- The classifications of additional staffing hired under the proposal would be the same as the distribution of the Department as a whole in 2017-18 and would remain constant over the costing horizon.
- The salary of additional staff at each Australian Public Service (APS) classification would be the median base salary per level.
- Trend growth in wages under the baseline would be in line with wage cost index 3.
- All new staff would receive superannuation contributions equivalent to 15.4 per cent of their salary.

Component 3: Land managers

- Departmental expenses would be incurred through promoting and administering the land manager program.
- Individuals who would receive training scholarships would have otherwise undertaken similar training. The land manager training would therefore not result in additional costs to the Commonwealth Government over and above those estimated in the Australian Greens' policy to provide grants to states and territories to cover the costs of tuition at TAFE institutions for courses at the Certificate Level 1 and above, up to a per-hour tuition cost cap (refer to PBO costing PER649).
- Land managers would start their training at the start of the calendar year, and complete their training in two years.
- Sixty per cent of trainees would successfully complete their training.
 - This is based on analysis of subject pass rates for Vocational Education and Training (VET) Student Loan recipients studying a Diploma in Conservation and Land Management in 2018.
- Upon successful completion of their training, the starting salary for a land manager would be the median APS Graduate base salary.
- Yearly turnover of land managers would be equivalent to the turnover of APS employees during 2017-18 (23.1 per cent) and would remain constant across the costing horizon.

Methodology

With the exception of the following, the financial implications of the components of this costing were based on the specified amount and period over which funding would be provided. Departmental expenses to administer the proposal have been included in the costing, either within or in addition to the specified capped amounts as per the specification for each component. These estimates were based on similar-sized programs administered by the Department. The provision of additional funding to existing programs or functions was assumed not to require additional departmental expenses.

Component 1: Element 1 – Department of Environment and Energy staffing levels

The number of new staffing positions funded under this component was estimated by applying the distribution of APS classifications to the specified funding. Salary expenditure was grown by estimated wage cost factors with an allowance for staffing costs, including superannuation contributions, long service leave, and human resources support.

The revenue impact was calculated by applying the 2019-20 Pre-election Economic and Fiscal Outlook personal income tax schedule (including the Low and Middle Income Tax Offset and the Medicare levy) and superannuation contributions tax.

Component 3: Land managers

The projected number of land managers employed under this component was estimated by applying the assumed training completion rates and employment turnover rates to the specified number of training positions in each year. The expenditure and revenue implications were estimated using the same methodology as Component 1.

Departmental expense estimates for Component 3 (Land managers) have been rounded to the nearest \$1 million. All other administered and departmental expense estimates have been rounded to the nearest \$100,000. Revenue estimates have been rounded to the nearest \$1 million.

Data sources

Australian Greens, 2018. *Free TAFE and University*. [Online] Available at https://greens.org.au/sites/default/files/2018-12/Greens%202019%20Policy%20Platform%20-%20Free%20TAFE%20and%20Uni_0.pdf [Accessed 16 April 2019].

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

The Treasury provided 2019 Pre-election Economic and Fiscal Outlook economic parameters.

Attachment A – Create a Nature Fund, land manager training positions, and related measures – financial implications

Table A1: Create a Nature Fund, land manager training positions, and related measures – 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													
<i>Component 1: Department of the Environment and Energy</i>	8.0	14.0	19.0	21.0	23.0	22.0	23.0	24.0	25.0	26.0	27.0	62.0	231.0
<i>Component 3: Land managers</i>	-	-	21.0	58.0	88.0	112.0	132.0	125.0	97.0	76.0	59.0	79.0	769.0
Total – revenue	8.0	14.0	40.0	79.0	111.0	134.0	155.0	149.0	122.0	102.0	86.0	141.0	1,000.0
Expenses													
<i>Administered</i>													
<i>Component 1: Department of the Environment and Energy</i>	-21.9	-23.5	-23.5	-23.5	-23.5	-23.5	-23.5	-23.5	-23.5	-23.5	-23.5	-92.5	-257.4
<i>Component 2: National Reserve</i>	-152.6	-173.1	-173.1	-173.0	-173.0	-173.0	-173.0	-173.0	-173.0	-173.0	-173.0	-671.7	-1,882.8
<i>Component 3: Land managers</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 4: Landscape restoration</i>	-464.0	-483.3	-483.3	-483.3	-483.3	-483.9	-483.9	-483.9	-483.9	-483.9	-483.9	-1,913.9	-5,300.5
<i>Component 5: Invasive species</i>	-129.6	-134.6	-134.6	-134.6	-134.6	-134.6	-134.6	-134.6	-134.6	-134.6	-134.6	-533.5	-1,475.8
<i>Component 6: Threatened species</i>	-421.3	-437.5	-437.5	-437.5	-437.5	-437.5	-437.5	-437.5	-437.5	-437.5	-437.5	-1,733.8	-4,796.3
<i>Component 7: Farming subsidies</i>	-69.6	-76.2	-76.2	-76.2	-76.2	-76.2	-76.2	-76.2	-76.2	-76.2	-76.2	-298.1	-831.5
<i>Component 8: Bushfire mitigation</i>	-8.3	-9.0	-9.0	-	-	-	-	-	-	-	-	-26.4	-26.4
<i>Component 9: National parks</i>	-44.0	-48.0	-50.0	-51.0	-52.0	-53.0	-54.0	-55.0	-56.0	-57.0	-58.9	-193.0	-578.9
<i>Component 10: Commercial fisheries</i>	-53.7	-58.8	-58.8	-58.8	-	-	-	-	-	-	-	-230.1	-230.1
<i>Component 11: Environmental Defenders and Conservation Councils</i>	-9.6	-9.8	-10.0	-10.3	-10.6	-10.8	-11.1	-11.4	-11.7	-11.9	-12.2	-39.8	-119.5
Total – administered	-1,374.6	-1,453.8	-1,456.0	-1,448.2	-1,390.7	-1,392.5	-1,393.8	-1,395.1	-1,396.4	-1,397.6	-1,399.8	-5,732.8	-15,499.2
<i>Departmental</i>													
<i>Component 1: Department of the Environment and Energy</i>	-81.6	-112.0	-137.0	-152.0	-157.0	-121.0	-127.0	-132.0	-137.0	-143.0	-148.7	-482.5	-1,447.8
<i>Component 2: National Reserve</i>	-47.4	-26.9	-26.9	-27.0	-27.0	-27.0	-27.0	-27.0	-27.0	-27.0	-27.0	-128.3	-317.2
<i>Component 3: Land managers</i>	-1.0	-4.0	-72.0	-191.0	-284.0	-356.0	-410.0	-385.0	-298.0	-230.0	-178.0	-268.0	-2,410.0
<i>Component 4: Landscape restoration</i>	-36.0	-16.7	-16.7	-16.7	-16.7	-16.1	-16.1	-16.1	-16.1	-16.1	-16.1	-86.1	-199.5
<i>Component 5: Invasive species</i>	-10.4	-5.4	-5.4	-5.4	-5.4	-5.4	-5.4	-5.4	-5.4	-5.4	-5.4	-26.5	-64.2
<i>Component 6: Threatened species</i>	-33.7	-17.5	-17.5	-17.5	-17.5	-17.5	-17.5	-17.5	-17.5	-17.5	-17.5	-86.2	-208.7
<i>Component 7: Farming subsidies</i>	-10.4	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	-21.9	-48.5
<i>Component 8: Bushfire mitigation</i>	-1.2	-0.5	-0.5	-	-	-	-	-	-	-	-	-2.1	-2.1
<i>Component 9: National parks</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 10: Commercial fisheries</i>	-8.1	-2.9	-2.9	-2.9	-	-	-	-	-	-	-	-16.9	-16.9
<i>Component 11: Environmental Defenders and Conservation Councils</i>	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-1.1	-3.2
Total – departmental	-230.1	-190.0	-283.0	-416.6	-511.7	-547.1	-607.1	-587.1	-505.1	-443.1	-396.8	-1,119.6	-4,718.1
Total – expenses	-1,604.7	-1,643.8	-1,739.0	-1,864.8	-1,902.4	-1,939.6	-2,000.9	-1,982.2	-1,901.5	-1,840.7	-1,796.6	-6,852.4	-20,217.3
Total	-1,596.7	-1,629.8	-1,699.0	-1,785.8	-1,791.4	-1,805.6	-1,845.9	-1,833.2	-1,779.5	-1,738.7	-1,710.6	-6,711.4	-19,217.3

(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.

- Indicates nil.



Policy costing

Keep our oceans healthy, save our Great Barrier Reef and end deforestation in Australia	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>This proposal has two components related to environmental protection.</p> <ul style="list-style-type: none">• Component 1: Reef funding <p>This component would return to the Commonwealth Government all uncontracted funding, including that committed but not yet contracted, from the \$443.4 million grant provided to the Great Barrier Reef Foundation in 2017-18. The returned funding would be expensed by 30 June 2024 on the following activities.</p> <ul style="list-style-type: none">– A minimum of \$45 million for the Great Barrier Reef Marine Park Authority to expend on their own activities.– A minimum of \$45 million to the Australian Institute of Marine Science.– A minimum of \$200 million to improve farming practices and repair reef catchments, and setting legal caps on water pollution by catchment. <p>Funding would be spread evenly over five years. If the total unspent funds from the Foundation exceeded the minimum amounts specified, any remaining funds would be spread evenly across the three activities.</p> <ul style="list-style-type: none">• Component 2: End deforestation <ul style="list-style-type: none">– Element 1: Negotiate with the states and territories to end native clearing. The Commonwealth Government would not fund any compensation payments to affected landholders.– Element 2: Provide \$20 million from 2019-20 to 2022-23 to fund the research and development of sustainable wood products. Departmental expenses would be included within this capped amount. <p>The proposal would commence on 1 July 2019.</p>	

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by \$69.3 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in non-taxation revenue of \$446.5 million, an increase in administered expenses of \$336.7 million, and an increase in departmental expenses of \$40.5 million.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is provided at [Attachment A](#). Component 1 of this proposal would also be expected to have an impact in 2023-24.

The financial implications of Component 1 are extremely sensitive to the value of uncontracted funds available at 1 July 2019. The Department of the Environment and Energy provided contracted and uncontracted funding (inclusive of interest) from the grant as at 31 December 2018, as reported by the Great Barrier Reef Foundation in its first progress report to the Department. The financial implications are also sensitive to the rate of interest earned by the Foundation. The financial implications of Component 2 are certain.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	352.2	-94.3	-94.3	-94.3	69.3
Underlying cash balance	352.2	-94.3	-94.3	-94.3	69.3

(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.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing Component 1 of the proposal.

- Uncontracted funds from the Great Barrier Reef Foundation grant as at 1 July 2019 would be returned to the Commonwealth Government. As per the partnership agreement, the grant amount, and therefore the amount returned, would include interest.
- Uncontracted funds from the Great Barrier Reef Foundation grant as at 1 July 2019 would be equal to uncommitted funds as at 31 December 2018, plus earmarked funds based on public announcements up to 14 March 2019, 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 from 1 January to 1 July 2019 would be \$3.3 million. This is equal to contractual commitments made from June to December 2018.
 - New commitments are assumed to have been 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 Great Barrier Reef Foundation on its bank deposits in 2017, according to the Foundation’s 2017 annual report.
- The Great Barrier Reef Foundation would return all uncommitted funds from the grant to the Commonwealth Government in 2019-20.
- The departmental expenses for the Great Barrier Reef Marine Park Authority to administer the activities using the returned funding from the Great Barrier Reef Foundation grant would be 11 per cent of the total funding. This is consistent with the share of departmental expenses reported for Program 1.1: Sustainable Management of Natural Resources and the Environment in the 2019-20 Portfolio Budget Statements for the Environment and Energy Portfolio.

Methodology

Component 1: Reef funding

The financial implications were estimated by projecting uncontracted funds from the grant as at 1 July 2019 as described in *Key assumptions*, and returning this funding to the budget in 2019-20, to be redirected evenly across the five years from 2019-20 for proposed policy purposes specified by the requestor.

Component 2: End deforestation

The financial implications are equal to the specified capped amount. Departmental expenses to administer the proposal were based on similar-sized programs.

Figures have been rounded to the nearest \$100,000.

Data sources

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

Department of the Environment and Energy, 2019. *Portfolio Budget Statements 2019-20 Budget Related Paper No. 1.6* [Online] Available at:

<https://www.environment.gov.au/system/files/resources/c47f29fd-f85e-4789-af69-6b26630b8f4d/files/2019-20-pbs.pdf> [Accessed 04.04.2019].

Department of the Environment and Energy, 2018. *Grant agreement between the Reef Trust and Great Barrier Reef Foundation* [Online] Available at:

<http://www.environment.gov.au/system/files/resources/4322207b-af9c-488f-b6bd-89dbf4af8302/files/reef-trust-gbr-foundation-grant-agreement-20180627.pdf> [Accessed 04.04.2019].

Great Barrier Reef Foundation, 2018. *Annual report for the year ended 31 December 2017* [Online]

Available at: <https://www.barrierreef.org/uploads/2017%20Annual%20Report.pdf> [Accessed 04.04.2019].

Attachment A – Keep our oceans healthy, save our Great Barrier Reef and end deforestation in Australia – financial implications

Table A1: Keep our oceans healthy, save our Great Barrier Reef and end deforestation in Australia – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
Total – revenue	446.5	-	-	-	446.5
Expenses					
<i>Administered</i>					
<i>Component 1 – Reef funding</i>	-79.5	-79.5	-79.5	-79.5	-317.9
<i>Component 2 – End deforestation</i>	-4.4	-4.8	-4.8	-4.8	-18.8
Total – administered expenses	-83.9	-84.3	-84.3	-84.3	-336.7
<i>Departmental</i>					
<i>Component 1 – Reef funding</i>	-9.8	-9.8	-9.8	-9.8	-39.3
<i>Component 2 – End deforestation</i>	-0.6	-0.2	-0.2	-0.2	-1.2
Total – departmental expenses	-10.4	-10.0	-10.0	-10.0	-40.5
Total – expenses	-94.3	-94.3	-94.3	-94.3	-377.2
Total	352.2	-94.3	-94.3	-94.3	69.3

- (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.
- Indicates nil.



Policy costing

Save the Murray-Darling Basin, and Royal Commission into the management of the Murray-Darling Basin Plan

Party:

Australian Greens

Summary of proposal:

This proposal has three components.

- Component 1 would conduct an independent audit into taxpayer funding for water recovery projects under the Murray-Darling Basin Plan.
- Component 2 would provide \$60 million for a Royal Commission into the administration of the Murray-Darling Basin Plan, which would run for two years from 2019-20.
- Component 3 would work with state governments to fully implement all recommendations of the South Australian Murray-Darling Basin Royal Commission.

The proposal would commence on 1 July 2019.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$60.5 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of \$57 million and an increase in departmental expenses of \$3.5 million.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at [Attachment A](#). Components 1 and 2 of this proposal would not be expected to have an impact beyond the 2019-20 Budget forward estimates period.

The estimates in this costing include the financial impact of Components 1 and 2 only, which are either completely or relatively certain. In the time available to complete the post-election report, the Parliamentary Budget Office (PBO) has been unable to cost the financial implications of Component 3. Implementation of the South Australian Murray-Darling Basin Royal Commission recommendations, which include greater water recovery amounts and purchases by the Commonwealth Environmental Water Holder, would likely have a material ongoing cost to the Commonwealth Government.

Table 1: Financial implications (\$m)^(a)

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-30.5	-30.0	-	-	-60.5
Underlying cash balance	-30.5	-30.0	-	-	-60.5

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

- Indicates nil.

Key assumptions

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

- The independent audit into taxpayer funding of water recovery projects would result in departmental expenses of \$500,000 in 2019-20.
 - This is in line with the average cost for independent audits recently conducted by the Australian National Audit Office.
- The departmental expenses for the Commonwealth Royal Commission into the administration of the Murray-Darling Basin Plan would be 5 per cent of the total funding, consistent with the funding profile of similar Commonwealth Royal Commissions.

Methodology

The financial implications of Component 1 (the independent audit) and Component 2 (Commonwealth Royal Commission) are the audit costs estimated as described above and the specified capped amount, respectively.

Figures have been rounded to the nearest \$100,000.

Data sources

Australian National Audit Office, 2018. *Annual report 2017–18* [Online] Available at: https://www.anao.gov.au/sites/default/files/ANAO_Annual-Report_2017-2018.pdf [Accessed 04.04.2019].

Murray-Darling Basin Royal Commission, 2019. *Murray-Darling Basin Royal Commission Report* [Online] Available at: <https://www.mdbrc.sa.gov.au/sites/default/files/murray-darling-basin-royal-commission-report.pdf?v=1548898371> [Accessed 24.05.2019].

Attachment A – Save the Murray-Darling Basin, and Royal Commission into the management of the Murray-Darling Basin Plan – financial implications

Table A1: Save the Murray-Darling Basin, and Royal Commission into the management of the Murray-Darling Basin Plan – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Payments					
<i>Administered</i>					
<i>Component 1 – Independent audit into projects to date</i>	-	-	-	-	-
<i>Component 2 – Commonwealth Royal Commission into the administration of the Murray-Darling Basin Plan</i>	-28.5	-28.5	-	-	-57.0
<i>Component 3 – Fully implement all recommendations of the South Australian Murray-Darling Basin Royal Commission</i>	*	*	*	*	*
Total – administered	-28.5	-28.5	-	-	-57.0
<i>Departmental</i>					
<i>Component 1 – Independent audit into projects to date</i>	-0.5	-	-	-	-0.5
<i>Component 2 – Commonwealth Royal Commission into the administration of the Murray-Darling Basin Plan</i>	-1.5	-1.5	-	-	-3.0
<i>Component 3 – Fully implement all recommendations of the South Australian Murray-Darling Basin Royal Commission</i>	*	*	*	*	*
Total – departmental	-2.0	-1.5	-	-	-3.5
Total – payments	-30.5	-30.0	-	-	-60.5

(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.

* Could not be quantified by the PBO in the time available.



Policy costing

Ban all new coal, oil and gas across Australia and terminate all exploration rights in marine parks	
Party:	Australian Greens
Summary of proposal: This proposal has three components. <ul style="list-style-type: none">• Component 1: A prohibition on any new coal mines, as well as onshore and offshore oil and gas projects. For oil and gas this component prohibits any new onshore gas (fracking) and offshore oil and gas projects. The proposal would mean that any new oil and gas projects that have been publicly announced but not yet committed to would no longer commence.• Component 2: Reverse Government expenditure allocated for the Beetaloo feasibility study component of the 2019-20 Budget measure <i>Supporting Reliable Energy Infrastructure</i>.• Component 3: Revoke existing exploration permits in marine parks with no compensation. This proposal would commence on 1 July 2019.	

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by \$141.6 million over the 2019-20 Budget forward estimates period. This impact reflects a decrease to revenue of \$150.0 million that is partially offset by a decrease in departmental expenses of \$8.4 million.

There are a number of coal, oil and gas projects that are scheduled to commence after the 2019-20 Budget forward estimates period and, as such, there would be a significantly greater revenue impact over the period to 2029-30. A breakdown of the financial implications of the proposal to 2029-30 is included at [Attachment A](#).

There would be a departmental saving due to the reversal of funding for the Beetaloo feasibility study. There is some uncertainty over the level of contractually committed funds as at 1 July 2019 as the information provided to the Parliamentary Budget Office (PBO) was correct as at 15 April 2019.

The revenue impact of Component 3 (revocation of existing exploration permits in marine parks) is included in Component 1 (no new coal, oil and gas projects) and there would be no expense impact as no compensation would be provided.

This costing has only identified a limited number of future projects and, as such, the costing is highly sensitive to the potential profitability of these projects.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	5.0	2.7	-59.3	-90.0	-141.6
Underlying cash balance	5.0	2.7	-59.3	-90.0	-141.6

(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.

- All future coal, oil and gas projects, as currently identified in the publication *Resources and Energy Major Projects List* by the Department of Industry, Innovation and Science, would be affected by this proposal.
 - Where a project is currently listed as feasible by the Department of Industry, Innovation and Science, it is assumed that this project has not been incorporated in the Budget baseline and has therefore not been included in this costing.
- There will be no material impact on global coal, oil and gas prices as a result of prohibiting new coal, oil and gas projects in Australia.
- The average oil price would be US\$58 per barrel at the end of the 2019-20 Budget forward estimates period and its real value would be maintained over the period to 2029-30 by growing it in line with the consumer price index (CPI).
- The average thermal coal price would be approximately US\$91 per tonne and the metallurgical coal price would be approximately US\$150 per tonne at the end of the 2019-20 Budget forward estimates period. The real value of coal prices would be maintained over the period to 2029-30 by growing them in line with the CPI.
- All affected companies would have an annual turnover above \$50 million and hence would be subject to the 30 per cent corporate tax rate.
- All affected companies would be in a taxable position.
- The tax payable by affected oil and gas companies would be approximately 2 per cent of their total income and the tax payable by affected coal mining companies would be approximately 4 per cent of their total income.
 - This is based on the ratio of tax payable to total income for coal, oil and gas extraction companies, and mining companies in the *2016-17 Taxation Statistics* published by the Australian Taxation Office (ATO).

Methodology

Projects yet to commence were identified using the *Resources and Energy Major Projects List* from the Department of Industry, Innovation and Science. Only projects labelled as 'Publicly announced' were factored into the revenue impact. The expected value of coal, oil, gas and gas-derivative products from these projects was calculated based on data provided by Wood Mackenzie and the Department of Industry, Innovation and Science. The value of each commodity was then multiplied by the tax payable to total income ratio to calculate the forgone corporate tax revenue.

The Beetaloo feasibility study component was calculated by reversing the uncommitted costs of the study, as provided by the Departmental of the Environment and Energy.

Revenue estimates have been rounded to the nearest \$10 million. Departmental expense estimates have been rounded to the nearest \$100,000.

Data sources

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

Australian Taxation Office, 2019. *Taxation Statistics 2016-17*, Canberra: Australian Taxation Office.

Department of Industry, Innovation and Science, 2018. *Resources and Energy Major Projects List*, Canberra: Department of Industry, Innovation and Science.

The Department of the Environment and Energy provided information on the proposed expenditure of the Beetaloo feasibility study as at 15 April 2019.

Wood Mackenzie provided detailed project level information on potential oil and gas projects.

Attachment A – Ban all new coal, oil and gas across Australia and terminate all exploration rights in marine parks – financial implications

Table A1: Ban all new coal, oil and gas across Australia and terminate all exploration rights in marine parks – 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													
<i>Component 1: No new coal, oil and gas projects</i>	-	-	-60.0	-90.0	-110.0	-120.0	-400.0	-470.0	-490.0	-500.0	-520.0	-150.0	-2,750.0
Total – revenue	-	-	-60.0	-90.0	-110.0	-120.0	-400.0	-470.0	-490.0	-500.0	-520.0	-150.0	-2,750.0
Expenses													
<i>Departmental</i>													
<i>Component 2: Cancel Beetaloo feasibility study</i>	5.0	2.7	0.7	-	-	-	-	-	-	-	-	8.4	8.4
<i>Component 3: Revoke exploration permits in marine parks</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – expenses	5.0	2.7	0.7	-	-	-	-	-	-	-	-	8.4	8.4
Total	5.0	2.7	-59.3	-90.0	-110.0	-120.0	-400.0	-470.0	-490.0	-500.0	-520.0	-141.6	-2,741.6

- (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.



Policy costing

Invest in crucial infrastructure to reboot recycling and introduce a ban on single-use plastics	
Party:	Australian Greens
Summary of proposal: This proposal consists of three components. <ul style="list-style-type: none">• Component 1: Invest \$500 million in waste avoidance and resource recovery initiatives This component would increase the Clean Energy Finance Corporation's (CEFC) credit facility by an additional \$500 million to invest in waste avoidance and resource recovery initiatives. The additional funds would be rolled out in line with previous CEFC lending arrangements.• Component 2: Establish a plastics co-operative research centre in Hobart This component would establish a plastics co-operative research centre in Hobart with funding of \$50 million over ten years, with operational costs indexed in line with changes in the consumer price index (CPI). Departmental expenses would be included in this amount.• Component 3: Introduce a ban on selected single-use plastic items by 2025. This proposal would have effect from 1 July 2019.	

Costing overview

This proposal would be expected to decrease the fiscal balance by \$27.1 million, the underlying cash balance by \$15.9 million and the headline cash balance by \$188.6 million over the 2019-20 Budget forward estimates period.

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](#).

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 transactions in financial assets.

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. 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 for Component 1 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 rate for loans. The estimates of the financial implications for Component 2 are highly certain as they are based on a specified capped amount. The estimates of the financial implications for Component 3 are sensitive to the assumption that any direct implementation costs would be incurred by industry.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-6.0	-6.8	-7.1	-7.2	-27.1
Underlying cash balance	-4.7	-4.5	-3.7	-3.0	-15.9
Headline cash balance	-22.3	-39.4	-55.4	-71.3	-188.6

(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.

Component 1: Invest \$500 million in waste avoidance and resource recovery initiatives

- The funding commitment and deployment under this component, 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 component would be drawn down from the Special Account only when they are ready to be deployed. The CEFC would enter into \$100 million of commitments each year for five years. These \$100 million commitments would each be deployed evenly over five years. For example, \$20 million would be deployed in the first year of the proposal, \$40 million in the second, and so on. The entire \$500 million would be invested over 10 years with the single year peak being \$100 million in the fifth year.
- 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 agreed rates of return and payments consistent with the CEFC’s investment mandate 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 return on equity investment) used in this costing would move in line with the five-year government bond rate projection.

Component 3: Introduce a ban on selected single-use plastic items by 2025

- This component would have no material financial impact on the Commonwealth budget as it would be implemented through regulatory change with any related costs incurred by industry.

Methodology

Component 1: Invest \$500 million in waste avoidance and resource recovery initiatives

A concessional loan model was developed to estimate the financial implications of this component. The model is based on the Department of Finance Accounting for Concessional Loans policy guidelines.

The model incorporates relevant aspects of the CEFC's operations as at the 2019 Pre-election Economic and Fiscal Outlook, including investment profiles, loan terms, the concessional interest rate, and principal reinvestment.

Component 2: Establish a plastics co-operative research centre in Hobart

The financial implications of this component were based on the specified amount over the specified period. The annual profile of the administered expenses was determined by distributing the total expenses evenly across the ten years, after adjusting for annual increases in line with changes in the CPI. Departmental expense estimates were based on similar-sized programs.

All components

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

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.

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 03.05.2019].

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

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 03.05.2019].

Reserve Bank of Australia, 2019. *Statistical Tables: Indicator Lending Rates – F5*. [Online] Available at <https://www.rba.gov.au/statistics/tables/> [Accessed 03.05.2019].

Attachment A – Invest in crucial infrastructure to reboot recycling and introduce a ban on single-use plastics – financial implications

Table A1: Invest in crucial infrastructure to reboot recycling and introduce a ban on single-use plastics – 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													
<i>Component 1: Income from unwinding concessional loan discounts</i>	0.4	1.2	2.4	4.0	6.0	7.5	8.8	9.5	9.9	9.9	9.8	7.9	69.4
<i>Component 1: Loan interest accrued</i>	0.4	1.3	2.6	4.4	7.5	10.8	13.8	16.5	18.5	19.7	20.8	8.8	116.6
<i>Component 1: Dividends on equity investments</i>	..	0.1	0.2	0.4	0.6	0.7	0.8	0.8	0.9	0.9	0.9	0.8	6.2
Total – revenue	0.8	2.6	5.2	8.8	14.1	19.0	23.4	26.8	29.3	30.5	31.5	17.5	192.2
Expenses													
<i>Administered</i>													
<i>Component 1: Concessional loan discount expense</i>	-1.7	-3.5	-5.7	-8.1	-10.8	-10.7	-10.5	-10.3	-9.8	-9.1	-9.6	-18.9	-89.7
<i>Component 1: Write downs</i>	-	-	-	-	-	-	-0.3	-0.5	-0.9	-1.2	-1.7	-	-4.6
<i>Component 2: Establish a plastics co-operative research centre in Hobart</i>	-4.3	-4.4	-4.5	-4.7	-4.8	-4.9	-5.0	-5.1	-5.3	-5.4	-	-18.0	-48.5
<i>Component 3: Introduce a ban on single-use plastics by 2025</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – administered	-6.0	-7.9	-10.2	-12.8	-15.6	-15.6	-15.8	-15.9	-16.0	-15.7	-11.3	-36.9	-142.8
<i>Departmental</i>													
<i>Component 1: Department of the Environment and Energy</i>	-0.2	-0.4	-0.6	-0.8	-1.0	-	-	-	-	-	-	-2.1	-3.1
<i>Component 2: Department of the Environment and Energy</i>	-0.4	-0.5	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-	-1.1	-1.5
<i>Component 3: Department of the Environment and Energy</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – departmental	-0.6	-0.9	-0.7	-0.9	-1.1	-0.1	-0.1	-0.1	-0.1	-0.1	-	-3.2	-4.6
Total – expenses	-6.6	-8.8	-10.9	-13.7	-16.7	-15.7	-15.9	-16.0	-16.1	-15.8	-11.3	-40.1	-147.4
Total (excluding PDI)	-5.8	-6.2	-5.7	-4.9	-2.6	3.3	7.5	10.8	13.2	14.7	20.2	-22.6	44.8
PDI impacts	-0.2	-0.6	-1.4	-2.3	-3.8	-5.7	-7.4	-8.5	-9.0	-8.9	-8.9	-4.5	-56.7
Total (including PDI)	-6.0	-6.8	-7.1	-7.2	-6.4	-2.4	0.1	2.3	4.2	5.8	11.3	-27.1	-11.9

(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.

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

- Indicates nil.

Table A2: Invest in crucial infrastructure to reboot recycling and introduce a ban on single-use plastics – 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													
<i>Component 1: Interest repayments received on loans</i>	0.4	1.3	2.6	4.4	7.5	10.8	13.8	16.5	18.5	19.7	20.8	8.8	116.6
<i>Component 1: Dividends on equity investments</i>	..	0.1	0.2	0.4	0.6	0.7	0.8	0.8	0.9	0.9	0.9	0.8	6.2
Total – receipts	0.4	1.4	2.8	4.8	8.1	11.5	14.6	17.3	19.4	20.6	21.7	9.6	122.8
Payments													
<i>Administered</i>													
<i>Component 2: Establish a plastics co-operative research centre in Hobart</i>	-4.3	-4.4	-4.5	-4.7	-4.8	-4.9	-5.0	-5.1	-5.3	-5.4	-	-18.0	-48.5
<i>Component 3: Introduce a ban on single-use plastics by 2025</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – administered	-4.3	-4.4	-4.5	-4.7	-4.8	-4.9	-5.0	-5.1	-5.3	-5.4	-	-18.0	-48.5
<i>Departmental</i>													
<i>Component 1: Department of the Environment and Energy</i>	-0.2	-0.4	-0.6	-0.8	-1.0	-	-	-	-	-	-	-2.1	-3.1
<i>Component 2: Department of the Environment and Energy</i>	-0.4	-0.5	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-	-1.1	-1.5
<i>Component 3: Department of the Environment and Energy</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – departmental	-0.6	-0.9	-0.7	-0.9	-1.1	-0.1	-0.1	-0.1	-0.1	-0.1	-	-3.2	-4.6
Total – payments	-4.9	-5.3	-5.2	-5.6	-5.9	-5.0	-5.1	-5.2	-5.4	-5.5	-	-21.2	-53.1
Total (excluding PDI)	-4.5	-3.9	-2.4	-0.8	2.2	6.5	9.5	12.1	14.0	15.1	21.7	-11.6	69.7
PDI impacts	-0.2	-0.6	-1.3	-2.2	-3.7	-5.6	-7.2	-8.4	-9.0	-8.9	-8.9	-4.3	-56.1
Total (including PDI)	-4.7	-4.5	-3.7	-3.0	-1.5	0.9	2.3	3.7	5.0	6.2	12.8	-15.9	13.6

- (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: Invest in crucial infrastructure to reboot recycling and introduce a ban on single-use plastics –
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													
<i>Component 1: Loan repayments</i>	2.4	7.5	15.7	27.3	43.1	58.9	74.6	87.7	97.5	103.0	105.8	52.8	623.5
<i>Component 1: Interest repayments received on loans</i>	0.4	1.3	2.6	4.4	7.5	10.8	13.8	16.5	18.5	19.7	20.8	8.8	116.6
<i>Component 1: Equity repayments</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 1: Dividends on equity investments</i>	..	0.1	0.2	0.4	0.6	0.7	0.8	0.8	0.9	0.9	0.9	0.8	6.2
Total – receipts	2.8	8.9	18.5	32.1	51.2	70.4	89.2	105.0	116.9	123.6	127.5	62.4	746.3
Payments													
<i>Administered</i>													
<i>Component 1: Loans made</i>	-17.1	-35.9	-58.2	-82.8	-112.6	-112.3	-111.4	-109.9	-105.5	-97.5	-103.0	-194.0	-946.2
<i>Component 1: Equity investments</i>	-2.9	-6.5	-9.2	-12.8	-14.7	-10.9	-7.6	-4.7	-2.2	-	-	-31.5	-71.5
<i>Component 2: Establish a plastics co-operative research centre in Hobart</i>	-4.3	-4.4	-4.5	-4.7	-4.8	-4.9	-5.0	-5.1	-5.3	-5.4	-	-18.0	-48.5
<i>Component 3: Introduce a ban on single-use plastics by 2025</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – administered	-24.3	-46.8	-71.9	-100.3	-132.1	-128.1	-124.0	-119.7	-113.0	-102.9	-103.0	-243.5	-1,066.2
<i>Departmental</i>													
<i>Component 1: Department of the Environment and Energy</i>	-0.2	-0.4	-0.6	-0.8	-1.0	-	-	-	-	-	-	-2.1	-3.1
<i>Component 2: Department of the Environment and Energy</i>	-0.4	-0.5	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-	-1.1	-1.5
<i>Component 3: Department of the Environment and Energy</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – departmental	-0.6	-0.9	-0.7	-0.9	-1.1	-0.1	-0.1	-0.1	-0.1	-0.1	-	-3.2	-4.6
Total – payments	-24.9	-47.7	-72.6	-101.2	-133.2	-128.2	-124.1	-119.8	-113.1	-103.0	-103.0	-246.7	-1,070.8
Total (excluding PDI)	-22.1	-38.8	-54.1	-69.1	-82.0	-57.8	-34.9	-14.8	3.8	20.6	24.5	-184.3	-324.5
PDI impacts	-0.2	-0.6	-1.3	-2.2	-3.7	-5.6	-7.2	-8.4	-9.0	-8.9	-8.9	-4.3	-56.1
Total (including PDI)	-22.3	-39.4	-55.4	-71.3	-85.7	-63.4	-42.1	-23.2	-5.2	11.7	15.6	-188.6	-380.6

(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.

.. 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 impact¹

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.



Policy costing

End live exports of animals for slaughter overseas	
Party:	Australian Greens
Summary of proposal: This proposal has four components relating to live animal exports. <ul style="list-style-type: none">• Component 1: Provide \$1 million in 2019-20, and \$2 million each year from 2020-21 to 2022-23, to assist farmers to transition from live animal exports to a domestic boxed and chilled meat trade. Departmental expenses required to administer this funding would be in addition to the specified capped amounts.• Component 2: Ban the export of racing greyhounds from 1 July 2019.• Component 3: Provide \$20 million in additional funding to the Australian Federal Police from 2020-21 to 2024-25, spread evenly over the five years, for the enforcement of animal welfare laws.• Component 4: End intensive factory farming across Australia from 1 July 2019.<ul style="list-style-type: none">– Element 1: Ban cage egg production, end sow stalls and other cruel animal farming practices.– Element 2: Enforce genuine free range standards for all animals.– Element 3: Improve food labelling laws to help identify genuine free range and cruelty-free products.	

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by \$20.3 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of \$7.0 million, an increase in departmental expenses of \$13.3 million and a minor decrease in non-taxation revenue. 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 to 2024-25.

The financial implications of Components 1 and 3 are largely capped and have low uncertainty.

The financial implications of Component 2 are sensitive to the assumption that behavioural responses to the proposal, including changes in business practices by live greyhound exporters, would not materially affect the budget. In this case, the proposal would have no net impact on the budget because export fees and charges for live animal exports, including greyhounds, are charged on a cost-recovery basis. Within the estimates for Component 2, the revenue forgone (and the associated decrease in departmental expenses) is highly sensitive to the number of greyhounds that would be exported under the baseline and the associated export charges, which would be subject to regular review.

The financial implications of Component 4 are sensitive to the assumption that behavioural responses to the proposal, including changes in business practices by farmers, would not materially affect the budget.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-1.3	-6.3	-6.3	-6.3	-20.3
Underlying cash balance	-1.3	-6.3	-6.3	-6.3	-20.3

(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.

Key assumptions

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

Component 2 – Ban greyhound exports

- Any legislation required to ban greyhound exports would be passed before the commencement of the proposal.
- Any behavioural responses from greyhound exporters or others to the live export ban would not have a material impact on the budget.
- Under the baseline, the aggregate annual export charge over the period to 2022-23 would remain constant at a level consistent with the fees, levies and volumes from 2016-17 to 2018-19.
 - The number of Australian live greyhounds exported each year over the period to 2022-23 would remain constant at its projected 2018-19 level.
 - Each exported live greyhound would require one inspection, one export permit, one audit and one export document, on average.

Component 4 – End intensive factory farming

- Any legislation required to ban the production of cage eggs, amend existing food labelling laws, and enforce free range standards for all animals would be passed before the commencement of the proposal.
- Any behavioural responses from farmers to ending intensive factory farming processes would not have a material impact on the budget.
- The domestic free range egg market would quickly replace cage egg production.

Methodology

Component 1 – Funding transition from live animals exports

Administered expenses were specified by the requestor.

Departmental cost estimates were 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.

Component 2 – Ban greyhound exports

Non-taxation revenue and the associated reduction in departmental expenses were calculated by multiplying the projected annual baseline number of exported greyhounds by the assumed average annual export charge per greyhound, estimated as outlined above.

Component 3 – Additional funding for enforcement of animal welfare laws

Departmental expenses were specified by the requestor.

Component 4 – End intensive factory farming

Financial implications for this component are not expected to be material.

Estimates for Components 1 and 3 have been rounded to the nearest \$100,000. Estimates for Components 2 and 4 have been rounded to the nearest \$1 million.

Data sources

Department of Agriculture and Water Resources, 2015. *Cost Recovery Implementation Statement Live animal exports 2015-16*. [Online] Available at: <http://www.agriculture.gov.au/SiteCollectionDocuments/biosecurity/australia/cost-recovery-arrangements/cost-recovery-implementation-statement-live-animal-2015-16.pdf> [Accessed: 25.04.2019].

Department of Agriculture and Water Resources, 2019. *Live Animal Export Statistics – Greyhound exports*. [Online] Available at: <http://www.agriculture.gov.au/export/controlled-goods/live-animals/live-animal-export-statistics/greyhound-exports> [Accessed: 25.04.2019].

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

Attachment A – End live exports of animals for slaughter overseas – financial implications

Table A1: End live exports of animals for slaughter overseas – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
<i>Component 2: Ban greyhound exports</i>	..	..	..	..	..
<i>Component 4: End intensive factory farming</i>	..	..	..	..	..
Total - departmental	..	..	..	..	..
Expenses					
<i>Administered</i>					
<i>Component 1: Fund transition from live animals exports</i>	-1.0	-2.0	-2.0	-2.0	-7.0
<i>Component 2: Ban greyhound exports</i>	-	-	-	-	-
<i>Component 3: Additional funding for enforcement of animal welfare laws</i>	-	-	-	-	-
<i>Component 4: End intensive factory farming</i>	-	-	-	-	-
Total – administered	-1.0	-2.0	-2.0	-2.0	-7.0
<i>Departmental</i>					
<i>Component 1: Fund transition from live animals exports</i>	-0.3	-0.3	-0.3	-0.3	-1.3
<i>Component 2: Ban greyhound exports</i>	..	..	..	..	..
<i>Component 3: Additional funding for enforcement of animal welfare laws</i>	-	-4.0	-4.0	-4.0	-12.0
<i>Component 4: End intensive factory farming</i>	..	..	..	..	..
Total – departmental	-0.3	-4.3	-4.3	-4.3	-13.3
Total – expenses	-1.3	-6.3	-6.3	-6.3	-20.3
Total	-1.3	-6.3	-6.3	-6.3	-20.3

(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.



Policy costing

Invest in public transport, while making cycling and walking safe and accessible	
Party:	Australian Greens
Summary of proposal: This proposal has two components. <ul style="list-style-type: none">• Component 1: Provide ongoing grant funding of \$2,500 million per year to the states and territories for public transport. This component would also re-allocate existing road toll funding to public transport.<ul style="list-style-type: none">- The re-allocation of road toll funding to public transport represents a redistribution of funds, therefore there are no Commonwealth budget financial implications for this element.• Component 2: Provide ongoing grant funding to the states and territories of \$250 million per year for active transport such as cycling and walking infrastructure. Both components would have effect from 1 July 2019.	

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$11,000 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 that extends 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](#).

Table 1: Financial implications (\$m)^(a)

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-2,750	-2,750	-2,750	-2,750	-11,000
Underlying cash balance	-2,750	-2,750	-2,750	-2,750	-11,000

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

Methodology

The financial implications represent specified capped amounts of administered funding. The additional administrative workload associated with this proposal is not expected to require additional departmental funding.

Attachment A – Invest in public transport, while making cycling and walking safe and accessible – financial implications

Table A1: Invest in public transport, while making cycling and walking safe and accessible – Fiscal and underlying cash balances (\$m)^(a)

	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													
<i>Administered</i>													
<i>Component 1 – Increase funding for public transport and move existing funding allocated to toll roads into public transport</i>	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-10,000	-27,500
<i>Component 2 – Increase funding for active transport</i>	-250	-250	-250	-250	-250	-250	-250	-250	-250	-250	-250	-1,000	-2,750
Total – administered	-2,750	-2,750	-2,750	-2,750	-2,750	-2,750	-2,750	-2,750	-2,750	-2,750	-2,750	-11,000	-30,250
Total – expenses	-2,750	-2,750	-2,750	-2,750	-2,750	-2,750	-2,750	-2,750	-2,750	-2,750	-2,750	-11,000	-30,250

(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.



Policy costing

Finally build the East Coast High Speed Rail with government investment	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>This proposal would provide equity funding for an east coast high speed rail project, as laid out in the High Speed Rail Study Phase 2 report (the report) released on 11 April 2013. From 2019-20 to 2029-30, the proposal would provide funding for:</p> <ul style="list-style-type: none">• the creation of the High Speed Rail Authority to undertake preliminary works for all five stages of the project from 1 July 2019• stage 1 of the high speed rail project (Sydney to Canberra) from 1 January 2024. <p>The Commonwealth Government would be the only investor in the project and enter into contracts with the states, territories and private sector third parties. The project would be funded through off-budget equity investments (totalling around \$120 billion) by the Commonwealth Government over the next 30 years.</p> <p>The High Speed Rail Authority would be responsible for project delivery and eventual operation of the east coast high speed rail network.</p> <p>The proposal would have effect from 1 July 2019.</p>	

Costing overview

This costing only addresses the costs associated with:

- establishing the High Speed Rail Authority and undertaking preliminary works for the high speed rail project, as outlined in Table 7-6 on page 312 of the report, with a revised commencement date of 1 July 2019
- implementing stage 1 of the high speed rail project as outlined in Table ES-6 on page 17 and Table 7-2 on page 307 of the report, with a five-year delay in commencement relative to the report.

This costing does not address subsequent phases of the project.

This proposal would be expected to decrease the fiscal and underlying cash balances by \$110 million and decrease the headline cash balance by \$1,710 million over the 2019-20 Budget forward estimates period.

As specified by the requestor, funding for the high speed rail project would be provided as equity injections to the newly established High Speed Rail Authority. This administered funding would have a direct and significant impact on the headline cash balance and would only impact the fiscal and underlying cash balances in the form of public debt interest expenses. This is because, for both the fiscal and underlying cash balances, investments in the High Speed Rail Authority would be treated as

the Commonwealth Government exchanging one financial asset (cash) for another (equity in the High Speed Rail Authority). The headline cash balance impact of the proposal shows the full amount of the equity injection into the High Speed Rail Authority as well as the impact of the proposal on the Commonwealth Government borrowing requirement and net debt position. The long-run fiscal impact of the proposal will depend on the returns the High Speed Rail Authority can achieve. This is highly uncertain.

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

No revenue would be generated by the project over the period 2019-20 to 2029-30.

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 2019-20 to 2029-30 are provided at [Attachment A](#). There would be further significant fiscal impacts over the subsequent four decades.

The estimated financial implications of this proposal are based on the costs presented in the report, uplifted for inflation since the report’s 2012 reference date. The PBO has not independently estimated the costs associated with constructing high speed rail. These costs are extremely sensitive to a number of factors, including Commonwealth, state and territory government funding arrangements for the project, availability of suitable land that could be used for the purposes of the project, and any variations to the construction and operational costs for the project. Further, costs specified by the requestor are based on estimates from a report published in 2013, and cost estimates may have varied considerably since that time, reflecting a range of factors. The timing of expenditure may also vary considerably. The PBO has not undertaken any assessment of whether the funding specified under the proposal would be sufficient for the implementation of the project or whether the project milestones are achievable. Any changes to implementation timeframes, policy design or funding arrangements would significantly alter overall costs and their profile.

As noted in the report (page 37), any investment of the magnitude of the high speed rail project will have an impact on economic growth and on the Commonwealth budget. In particular, the project may crowd out alternative investments, reducing productivity growth during the construction phase, with those effects only offset by the progressive productivity benefits of the project as construction of each stage of the project is completed and services commence. These further economic impacts of the project have not been included in this costing but could reduce overall tax revenues over the medium term.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-10	-20	-30	-40	-110
Underlying cash balance	-10	-20	-30	-40	-110
Headline cash balance	-410	-420	-430	-440	-1,710

(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 assumed that:

- 100 per cent of the costs of the proposal would be funded by the Commonwealth Government, without any assistance or cost-sharing with state and territory governments or the private sector
- once it is operational, the project would either be sold or operate as a public non-financial corporation such that a commercial return on the equity invested is delivered.

Methodology

The departmental costs of the High Speed Rail Authority were based on the departmental expenses of the *Inland Rail Project* measure from the 2017-18 Budget and indexed by the net effect of the wage cost index and the efficiency dividend.

The costs of preliminary requirements and implementation of the project were as specified in the report, after indexing to adjust for price changes over the modified project schedule specified by the requestor.

All administered expenses have been rounded to the nearest \$100 million, public debt interest expenses and departmental expenses have been rounded to the nearest \$10 million.

Data sources

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Attachment A – Finally build the East Coast High Speed Rail with government investment – financial implications

Table A1: Finally build the East Coast High Speed Rail with government investment – 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													
<i>Administered</i>													
<i>Preliminary requirement</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 1 Stage 1 (Canberra to Sydney)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 1 Stage 2 (Canberra to Melbourne)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 2 Stage 3 (Newcastle to Sydney)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 2 Stage 4 (Brisbane to Gold Coast)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 2 Stage 5 (Gold Coast to Newcastle)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – administered	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Departmental</i>													
<i>High Speed Rail Authority</i>	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
Total – departmental	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
Total – expense	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
Total (excluding PDI)	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
PDI impacts	..	-10	-20	-30	-90	-240	-440	-590	-690	-790	-920	-60	-3,830
Total (including PDI)	-10	-20	-30	-40	-100	-250	-450	-600	-700	-800	-930	-110	-3,980

(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: Finally build the East Coast High Speed Rail with government investment – 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													
<i>Administered</i>													
<i>Preliminary requirement</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 1 Stage 1 (Canberra to Sydney)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 1 Stage 2 (Canberra to Melbourne)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 2 Stage 3 (Newcastle to Sydney)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 2 Stage 4 (Brisbane to Gold Coast)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 2 Stage 5 (Gold Coast to Newcastle)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – administered	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Departmental</i>													
<i>High Speed Rail Authority</i>	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
Total – departmental	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
Total – payments	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
Total (excluding PDI)	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
PDI impacts	..	-10	-20	-30	-90	-230	-420	-580	-680	-790	-910	-60	-3,770
Total (including PDI)	-10	-20	-30	-40	-100	-240	-430	-590	-690	-800	-920	-110	-3,920

(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: Finally build the East Coast High Speed Rail with government investment – 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
Payments													
<i>Administered</i>													
<i>Preliminary requirement</i>	-400	-400	-400	-400	-200	-	-	-	-	-	-	-1,600	-1,800
<i>Line 1 Stage 1 (Canberra to Sydney)</i>	-	-	-	-	-1,600	-2,400	-2,500	-1,700	-1,700	-1,800	-1,800	-	-13,600
<i>Line 1 Stage 2 (Canberra to Melbourne)</i>	-	-	-	-	-700	-700	-700	-	-	-	-	-	-2,000
<i>Line 2 Stage 3 (Newcastle to Sydney)</i>	-	-	-	-	-600	-700	-700	-	-	-	-	-	-2,000
<i>Line 2 Stage 4 (Brisbane to Gold Coast)</i>	-	-	-	-	-400	-400	-400	-	-	-	-	-	-1,200
<i>Line 2 Stage 5 (Gold Coast to Newcastle)</i>	-	-	-	-	-1,100	-1,100	-1,100	-	-	-	-	-	-3,300
Total – administered	-400	-400	-400	-400	-4,600	-5,300	-5,400	-1,700	-1,700	-1,800	-1,800	-1,600	-23,900
<i>Departmental</i>													
<i>High Speed Rail Authority</i>	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
Total – departmental	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
Total – payments	-410	-410	-410	-410	-4,610	-5,310	-5,410	-1,710	-1,710	-1,810	-1,810	-1,650	-24,050
Total (excluding PDI)	-410	-410	-410	-410	-4,610	-5,310	-5,410	-1,710	-1,710	-1,810	-1,810	-1,650	-24,050
PDI impacts	..	-10	-20	-30	-90	-230	-420	-580	-680	-790	-910	-60	-3,770
Total (including PDI)	-410	-420	-430	-440	-4,700	-5,540	-5,830	-2,290	-2,390	-2,600	-2,720	-1,710	-27,820

(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.



Policy costing

Cut the government contracts of the big four accounting firms and restore jobs to the public service

Party: Australian Greens

Summary of proposal:

The proposal has two components.

- Component 1 – Lift wage growth and restore staffing levels
 - Element 1 would lift wage growth for staff in general government sector departments and agencies, excluding military and reserves staff, over the next four years. After this time, wages would return to their projected growth. Over the next four years wage growth would increase to:
 - ◆ 4 per cent per year for all Australian Public Service (APS) level and Executive Level (EL) staff
 - ◆ 2 per cent per year for all Senior Executive Service (SES) staff.
 - As part of this element, efficiency dividends on these wages would be removed.
 - Element 2 would restore total ongoing staff numbers under the *Australian Public Service Act 1999* (the Act) to 153,473 full-time equivalent employees, the same as at the end of 2011-12.
 - ◆ The increase in ongoing staff would occur in equal stages over a four-year period, with ongoing staff numbers growing by the same rate as population growth thereafter.
 - Element 3 would remove the average staffing level cap which maintains staff in the general government sector, excluding military and reserves, at or below their 2006-07 level of 167,596.
- Component 2 – Restrict expenditure on labour-hire companies and some contractors
 - Element 1 would shift expenditure from labour-hire companies to general APS departmental funding. Labour hire would be allowed in exceptional circumstances.
 - Element 2 would impose a cap of 7.5 per cent of current projected agency-by-agency expenditure for consultancy contracts and non-consultancy contracts, where labour is procured directly by a Commonwealth Government entity or through on-hire labour firms. The Australian Renewable Energy Agency and Clean Energy Finance Corporation would be exempt.

The proposal would have effect from 1 July 2019.

Costing overview

This proposal would be expected to decrease the fiscal and the underlying cash balances by \$9,084 million over the 2019-20 Budget forward estimates period. This reflects an increase in departmental expenses of \$11,470 million, partially offset by an increase in revenue of \$2,386 million.

Departmental expenses under the proposal comprise employee costs and expenditure on contractors. Offsetting revenue under the proposal is personal income tax and superannuation contributions tax associated with wage increases and additional staffing numbers.

The proposal would 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 provided at [Attachment A](#).

The estimates are sensitive to the assumption that the structure and composition of Commonwealth Government agencies and the APS would remain constant over time, and to growth in wages and population growth. Estimated savings from the cap on consultancy contracts and non-consultancy contracts are sensitive to changes in the level of baseline departmental expenditure and projections of expenditure on contracts over time, which can vary significantly between years.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-761	-1,513	-2,739	-4,072	-9,084
Underlying cash balance	-761	-1,513	-2,739	-4,072	-9,084

(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: Lift wage growth and restore staffing levels

- The additional staff hired under Component 1 would otherwise be employed and paying personal income tax at the equivalent amount to baseline remuneration amounts for the APS.
- The composition of staff classifications at each APS level, Executive Level and SES level would remain constant at their 2017-18 proportions under the baseline and proposal.
- The salary of staff at each classification is the median base salary per level.
- Trend growth in wages under the baseline would be in line with wage cost index 3.
- All affected employees would receive superannuation contributions equivalent to 15.4 per cent of income earned.
- Employing additional APS staff would not result in additional departmental expenses other than the usual costs of employing staff.

Component 2: Restrict expenditure on labour-hire companies and some contractors

- The shift in expenditure on labour-hire companies to general APS funding with labour hire allowed in exceptional circumstances would not have any financial implications for the Commonwealth Government.
- Contracts subject to the cap of 7.5 per cent of agency expenditure under Component 2 would be consultancy and non-consultancy contracts for Management and Business Professionals, and Administrative Services as classified under the United Nations Standard Products and Service Code.

- Under the baseline, expenditure on these contracts by agency in 2018-19 would be the average level for that agency from 2014-15 to 2017-18 and would remain constant in real terms over the period to 2029-30.
- For each affected agency, expenditure over the period 2022-23 to 2029-30 would grow at the average of projected annual growth over the 2019-20 Budget forward estimates period.
- Only half of the savings from the cap on contractors would be achieved in the first year of the proposal as agencies would have existing contracts in place.

Methodology

The financial implications of this proposal are the sum of the financial implications of Components 1 and 2. At the agency level, there are instances where the proposal would result in a net reduction in agency resourcing due to the savings arising from Component 2 being greater than the increased funding that would be provided as a result of Component 1.

General government sector agencies under the proposal are those published in the 2019-20 Budget Paper No. 4. Agencies under the Act are a subset of the general government sector and are those identified in the APS agency listing published by the Australian Public Service Commission.

Component 1: Lift wage growth and restore staffing levels

- The financial implications of Component 1 were estimated by taking the difference between the proposed and baseline remuneration expenditure amounts, incorporating increases in staffing levels.
 - Remuneration expenditure under the proposal was estimated by growing salaries by the specified increases under the proposal. Remuneration increases were applied after removing efficiency dividends as specified in the proposal.
 - Baseline remuneration expenditure was grown by estimated wage cost factors adjusting for the applicable efficiency dividend amounts.
- The increase in staff under Element 2 was then calculated by estimating the number of additional ongoing staff needed to result in a head count of 153,473 full-time-equivalent staff at the end of 2022-23. The increase was spread in four equal increments from 2019-20 to 2022-23 and grown by population growth in subsequent years as specified.
- The number of staff under Element 3 was estimated by lifting the cap on employee numbers after lifting the cap on APS agency staff in Element 2.
- The revenue impact of Component 1 was calculated by applying the 2019-20 Budget personal income tax schedule (including the low and middle income tax offset and the Medicare levy) to the difference in the total salary expense under current arrangements and under the proposal for each classification level. Additional tax raised on increased superannuation contributions was also included.

Component 2: Restrict expenditure on labour-hire companies and some contractors

- The amount saved under Component 2 was calculated by subtracting projected baseline spending on contractors from the 7.5 per cent cap, with the baseline and capped spending calculated using the assumptions described above.

Estimates have been rounded to the nearest \$1 million.

Data sources

Australian Public Service Commission (APSC), 2019. *APS Agency Listing*. [Online] Available at: <https://www.apsc.gov.au/aps-agency-listing-agencies-covered-public-service-act-1999> [Accessed 13.04.2019].

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Attachment A – Cut the government contracts of the big four accounting firms and restore jobs to the public service – financial implications

Table A1: Cut the government contracts of the big four accounting firms and restore jobs to the public service – 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
Component 1: Lift wage growth and restore staffing levels													
Element 1 – Lift wage growth for general government sector department and agency staff													
Revenue	238	448	666	830	912	906	978	1,051	1,125	1,202	1,280	2,182	9,635
Departmental expenses	-725	-1,349	-2,002	-2,684	-2,921	-3,164	-3,412	-3,665	-3,924	-4,189	-4,460	-6,761	-32,496
Total – Element 1	-487	-901	-1,336	-1,854	-2,009	-2,258	-2,434	-2,614	-2,799	-2,987	-3,180	-4,579	-22,861
Element 2 – Restore ongoing Australian Public Service Act 1999 staff to 2011-12 levels													
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Departmental expenses	-528	-1,062	-1,601	-2,147	-2,467	-2,776	-3,089	-3,406	-3,726	-4,049	-4,375	-5,337	-29,227
Total – Element 2	-528	-1,062	-1,601	-2,147	-2,467	-2,776	-3,089	-3,406	-3,726	-4,049	-4,375	-5,337	-29,227
Interaction between Elements 1 and 2 – Increase wages for additional ongoing staff													
Revenue	6	21	47	78	97	108	129	152	177	205	234	151	1,254
Departmental expenses	-17	-63	-140	-251	-312	-378	-451	-531	-619	-714	-816	-471	-4,292
Total – Interaction: Element 2	-11	-42	-93	-173	-215	-270	-322	-379	-442	-509	-582	-320	-3,038
Element 3 – Remove the 2006-07 average staffing level cap for the general government sector													
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Departmental expenses	-130	-345	-562	-781	-863	-942	-1,023	-1,106	-1,190	-1,274	-1,359	-1,817	-9,573
Total – Element 3	-130	-345	-562	-781	-863	-942	-1,023	-1,106	-1,190	-1,274	-1,359	-1,817	-9,573
Interaction between Elements 1 and 3 – Increase wage for additional staff after lifting cap													
Revenue	1	7	16	28	34	37	43	49	57	64	73	53	409
Departmental expenses	-4	-20	-49	-91	-109	-128	-149	-173	-198	-225	-254	-165	-1,400
Total – Interaction: Element 3	-3	-13	-33	-63	-75	-91	-106	-124	-141	-161	-181	-112	-991
Total – Component 1: Lift wage growth and restore staffing levels													
Revenue	245	476	729	936	1,043	1,051	1,150	1,252	1,359	1,471	1,587	2,386	11,298
Departmental expenses	-1,404	-2,839	-4,354	-5,954	-6,672	-7,388	-8,124	-8,881	-9,657	-10,451	-11,264	-14,551	-76,988
Total – Component 1	-1,159	-2,363	-3,625	-5,018	-5,629	-6,337	-6,974	-7,629	-8,298	-8,980	-9,677	-12,165	-65,690
Component 2: Restrict expenditure on labour-hire companies and some contractors													
Element 1: Shift expenditure from labour-hire companies to general APS funding													
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Departmental expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – Element 1	-	-	-	-	-	-	-	-	-	-	-	-	-
Element 2: 7.5 per cent departmental expenditure cap on consultancies													
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Departmental expenses	398	850	886	946	950	974	998	1,023	1,049	1,075	1,102	3,081	10,251
Total – Element 2	398	850	886	946	950	974	998	1,023	1,049	1,075	1,102	3,081	10,251

	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 – Component 2: Restrict expenditure on labour-hire companies and some contractors													
<i>Revenue</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Departmental expenses</i>	398	850	886	946	950	974	998	1,023	1,049	1,075	1,102	3,081	10,251
Total – Component 1	398	850	886	946	950	974	998	1,023	1,049	1,075	1,102	3,081	10,251
Total – Components 1 and 2													
<i>Revenue</i>	245	476	729	936	1,043	1,051	1,150	1,252	1,359	1,471	1,587	2,386	11,298
<i>Departmental expenses</i>	-1,006	-1,989	-3,468	-5,008	-5,722	-6,414	-7,126	-7,858	-8,608	-9,376	-10,162	-11,470	-66,737
Total	-761	-1,513	-2,739	-4,072	-4,679	-5,363	-5,976	-6,606	-7,249	-7,905	-8,575	-9,084	-55,439

- (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.



Policy costing

Replace a weak and compromised Australian Securities and Investments Commission (ASIC) with the Australian Competition and Consumer Commission (ACCC) to fight for the rights of banking customers

Party: Australian Greens

Summary of proposal:

This proposal has four components that would provide funding for banking regulation changes.

- Component 1: Install the ACCC as the conduct (competition and consumer) regulator over retail banks, large superannuation funds, insurance companies and retail grade intermediaries, and maintain ASIC as the conduct regulator for the rest of the financial sector.
- Component 2: Increase the amount of funding for the ACCC and ASIC to undertake conduct regulation over the financial sector. The increased amount would be the difference between the funding provided to ASIC in 2010-11 (adjusted for inflation) and ASIC's current funding level, and would be allocated evenly between the ACCC and ASIC. The increased funding amounts for ASIC and the ACCC would be financed via additional Commonwealth spending and offset by ASIC levying arrangements.
- Component 3: Install an independent Chair of the Council of Financial Regulators, with funding provided through additional appropriations to The Treasury.
- Component 4: Establish a Financial Regulators Assessment Board, with funding provided through additional appropriations to The Treasury.

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 \$26.0 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in departmental expenses, partially offset by levy revenue. A 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, at a level similar to the impact in 2021-22. This impact includes an ongoing levy revenue amount of around \$0.7 million from 2023-24.

The financial implications of the proposal are highly sensitive to assumptions about the number of staff required under Component 1, and the remuneration of the independent Chair and Board under Components 3 and 4, respectively.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-11.2	-1.6	-6.3	-7.1	-26.0
Underlying cash balance	-11.2	-1.6	-6.3	-7.1	-26.0

(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.

- A total of 150 staff would be transferred from ASIC and the Australian Prudential Regulation Authority (APRA) to the ACCC under Component 1.
- Baseline and proposed funding levels for ASIC would grow by changes in the consumer price index (CPI) over the 2019-20 Budget forward estimates period under Component 2.
- Remuneration for the Chair of the Council of Financial Regulators (Component 3) would be similar to that of the Chair of the Climate Change Authority.
- The Financial Regulators Assessment Board (Component 4) would require a similar level of funding to the Australian Medical Research Advisory Board.
- Legislation would be amended, if required, to allow the ASIC levy to fund both ASIC and the ACCC functions.

Methodology

The financial implications for each component were estimated as follows.

Component 1 was based on transferring the estimated number of ASIC and APRA staff who currently regulate competition and consumer conduct over retail banks, large superannuation funds, insurance companies and retail grade intermediaries to the ACCC.

Component 2 comprises an expense component that is largely offset by a levy component.

- The financial impact for Component 2 was estimated as the difference between the funding amount provided to ASIC in 2010-11 (adjusted for inflation) and ASIC's current funding level, subtracting the estimated amount of levy that would be raised using the existing levying arrangements.
 - This means that 91 per cent of expense funding would be offset by levy receipts and 9 per cent of expense funding would be contributed from general revenue.

Component 3 was estimated based on remuneration for the Chair of the Climate Change Authority, adjusted by the CPI.

Component 4 was based on Australian Medical Research Advisory Board costs, adjusted by the CPI.

All estimates were rounded to the nearest \$0.1 million.

Data sources

Commonwealth of Australia, 2019. *The Treasury Portfolio Budget Statements 2019-20*, [online] available at <https://treasury.gov.au/publication/portfolio-budget-statements-2019-20/> [Accessed 09.04.2019].

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Commonwealth of Australia, 2018. *Portfolio Budget Statements 2018-19 Budget Related Paper No. 1.16 Treasury Portfolio*, [online] available at https://static.treasury.gov.au/uploads/sites/1/2018/05/01_Portfolio-Budget-Statements-2017-18-1.pdf [Accessed 05.12.2018].

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The Remuneration Tribunal, 2018. *Remuneration Tribunal (Official Travel) Determination 2018*, [online] available at <https://www.remtribunal.gov.au/offices/part-time-offices> [Accessed 05.12.2018].

Attachment A – Replace a weak and compromised Australian Securities and Investments Commission (ASIC) with the Australian Competition and Consumer Commission (ACCC) to fight for the rights of banking customers – financial implications

Table A1: Replace a weak and compromised Australian Securities and Investments Commission (ASIC) with the Australian Competition and Consumer Commission (ACCC) to fight for the rights of banking customers – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
<i>Component 2: Increase funding for conduct regulation - Levy</i>	-	4.6	-	-	4.6
Expenses					
<i>Departmental</i>					
<i>Component 1: Changes to conduct regulation</i>	-5.8	-5.8	-5.9	-5.9	-23.3
<i>Component 2: Increase funding for conduct regulation – ASIC</i>	-2.5	-	-	-0.4	-2.9
<i>Component 2: Increase funding for conduct regulation – ACCC</i>	-2.5	-	-	-0.4	-2.9
<i>Component 3: Install independent Chair of the Council of Financial Regulators</i>	-0.1	-0.1	-0.1	-0.1	-0.3
<i>Component 4: Establish a Financial Regulators Assessment Board</i>	-0.3	-0.3	-0.3	-0.3	-1.2
Total – expenses	-11.2	-6.2	-6.3	-7.1	-30.6
Total	-11.2	-1.6	-6.3	-7.1	-26.0

(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.



Policy costing

Recoup banking insurance costs through a bank levy and invest in financial counselling services	
Party:	Australian Greens
Summary of proposal: The proposal would increase the major bank levy rate from its present level of 0.015 per cent per quarter to 0.05 per cent per quarter. In addition to the increase in the levy rate, the Government would provide \$10 million per year, indexed to the consumer price index, to fund financial counselling and legal assistance. The proposal would have effect from 1 July 2019.	

Costing overview

This proposal would be expected to increase the fiscal balance by \$14,369 million and the underlying cash balance by \$13,369 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, this impact reflects an increase in revenue of \$14,410 million and an increase in expenses of \$41 million.

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 over the period to 2029-30 is provided at [Attachment A](#).

The proposal would not be expected to result in significant departmental expenses as it would not be expected to change the complexity of the existing major bank levy administration.

There is a difference between the fiscal and underlying cash balances due to payments for the major bank levy being calculated quarterly and paid in the quarter after they accrue.

The costing includes an income tax effect as the levy is deductible for company tax purposes and there would be a pass-through of costs for affected institutions, which would alter the tax payable by bank customers.

Estimates in this costing are sensitive to assumptions regarding the overall growth in the liabilities of affected institutions, and the potential behavioural responses in relation to the existing major bank levy and under the proposal.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	3,790	3,480	3,470	3,729	14,369
Underlying cash balance	2,790	3,480	3,470	3,629	13,369

(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.

- The growth in liabilities would be evenly distributed through the year. The banks' liabilities beyond 2021-22 would increase in line with their average historical growth rate of approximately 1.3 per cent per quarter.
- The affected banks would react to the increased levy as follows.
 - Approximately 75 per cent of the increased levy amount would be passed on to bank customers.
 - ◆ Around 30 per cent of the passed-on costs would go to individuals who would be able to claim a deduction for these costs.
 - ◆ Around 15 per cent of the passed-on costs would go to businesses that would be able to claim a tax deduction for these costs.
 - ◆ Any remaining passed-on costs would be non-deductible for tax purposes.
 - Around 13 per cent of the additional levy would be passed on to shareholders of the affected banks through reduced dividend payments. These reduced dividend payments would reduce the taxable incomes of shareholders liable to pay tax in Australia.
 - The remainder would be absorbed by the affected banks.
- Domestic banks that are not currently liable to pay the major bank levy would not become liable for the levy over the period to 2029-30.
- All institutions are expected to be taxable over the period to 2029-30.

Methodology

The fiscal balance impact of the increase in the major bank levy was calculated at the end of each quarter by applying the increase in the major bank levy rate to the estimated value of the banks' liabilities. Cash timing assumptions were then applied to reflect the timing of the payments of the levy in order to determine the impact on an underlying cash balance basis.

Estimates of revenue from the major bank levy have been rounded to the nearest \$100 million.

Income tax revenue has been rounded to the nearest \$10 million.

Expense estimates have been rounded to the nearest \$1 million.

Data sources

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

Treasury provided the model underlying the 2017-18 Budget measure *Major bank levy – introduction*.

The Australian Prudential Regulation Authority provided information on the banks' liabilities that have been used to calculate the major bank levy revenue for the 2017-18 financial year.

Attachment A – Recoup banking insurance costs through a bank levy and invest in financial counselling services – financial implications

Table A1: Recoup banking insurance costs through a bank levy and invest in financial counselling services – 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													
<i>Major bank levy</i>	3,800	4,000	4,200	4,500	4,700	4,900	5,200	5,500	5,900	6,100	6,400	16,400	55,100
<i>Income tax</i>	-	-510	-720	-760	-800	-840	-880	-940	-1,010	-1,040	-1,100	-1,990	-8,600
Total – revenue	3,800	3,490	3,480	3,740	3,900	4,060	4,320	4,560	4,890	5,060	5,300	14,410	46,500
Expenses													
<i>Administered</i>													
<i>Financial counselling and legal assistance fund</i>	-10	-10	-10	-11	-11	-11	-12	-12	-12	-12	-13	-41	-124
Total – expenses	-10	-10	-10	-11	-11	-11	-12	-12	-12	-12	-13	-41	-124
Total	3,790	3,480	3,470	3,729	3,889	4,049	4,308	4,548	4,878	5,048	5,287	14,369	46,376

- (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: Recoup banking insurance costs through a bank levy and invest in financial counselling services – 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													
<i>Major bank levy</i>	2,800	4,000	4,200	4,400	4,700	4,900	5,100	5,500	5,800	6,100	6,400	15,400	53,900
<i>Income tax</i>	-	-510	-720	-760	-800	-840	-880	-940	-1,010	-1,040	-1,100	-1,990	-8,600
Total – receipts	2,800	3,490	3,480	3,640	3,900	4,060	4,220	4,560	4,790	5,060	5,300	13,410	45,300
Payments													
<i>Administered</i>													
<i>Financial counselling and legal assistance fund</i>	-10	-10	-10	-11	-11	-11	-12	-12	-12	-12	-13	-41	-124
Total – payments	-10	-10	-10	-11	-11	-11	-12	-12	-12	-12	-13	-41	-124
Total	2,790	3,480	3,470	3,629	3,889	4,049	4,208	4,548	4,778	5,048	5,287	13,369	45,176

- (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.



Policy costing

Cap the obscene pay packages of banking executives	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>The proposal would place a limit on the remuneration payable by providers of financial services.</p> <ul style="list-style-type: none">• A cap on base remuneration would be set at ten times annualised average weekly earnings (currently \$869,795).• A cap on variable remuneration would be set at five times annualised average weekly earnings (currently \$434,898). <p>The caps would apply to ‘accountable persons’ of authorised deposit-taking institutions as described in the Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Act 2018.</p> <p>The cap would also apply to ‘accountable persons’ of Australian Prudential Regulation Authority (APRA)-regulated superannuation funds and insurance providers defined as executives on the board of such institutions.</p> <p>The proposal would take effect from 1 July 2019.</p>	

Costing overview

Policy background

The Banking Executive Accountability Regime establishes accountability obligations for authorised deposit-taking institutions and their senior executives and directors. This new proposal would place a limit on base and variable remuneration payable by providers of financial services. Base remuneration is the amount payable to a person for the performance of their duties in the course of their employment. Variable remuneration is conditional on the achievement of pre-determined objectives and can be forfeited if these objectives are not met.

Financial impact

The proposal is estimated to decrease the fiscal and underlying cash balances by \$184 million over the 2019-20 Budget forward estimates period. This impact reflects a net decrease in revenue, explained by a reduction in personal income tax revenue and an increase in departmental expenses, partially offset by an increase in company tax revenue.

The profile of the revenue implications is affected by the timing of company tax instalments for affected institutions.

Departmental expenses of \$1 million per year for the Australian Taxation Office (ATO) reflect the estimated cost of implementation and administration of the proposal. This is broadly consistent with the departmental expenses provided to APRA to administer the Banking Executive Accountability Regime.

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.

Uncertainties

The costing is subject to significant uncertainties given the difficulties in obtaining reliable data to estimate the number of individuals who would be subject to the remuneration caps, and the remuneration outcomes for these individuals. There is also uncertainty as to how the amount and composition of executive remuneration may change, particularly in light of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, and the operation of the Banking Executive Accountability Regime. The extent to which affected institutions and individuals may change their behaviour to respond to the Banking Executive Accountability Regime and to mitigate the impact of the proposal is also uncertain. There are also implementation risks associated with the proposal depending on the design of the legislation and enforcement of the remuneration cap.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-71	-21	-51	-51	-184
Underlying cash balance	-71	-21	-51	-51	-184

(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 across the different categories of affected financial institutions.

Remuneration

- Major banks: remuneration of executives of the four major banks reflects their remuneration reports.
- Chief Executive Officers of small authorised deposit-taking institutions: the average remuneration of Chief Executive Officers of small authorised deposit-taking institutions is the same as the average remuneration of executives of the major banks.
- Executives of small authorised deposit-taking institutions: the average base and variable remuneration of executives of small authorised deposit-taking institutions are below the caps.
 - This is based on a sample of remuneration reports of small authorised deposit-taking institutions.

- APRA-regulated superannuation funds and insurers: the remuneration of ‘accountable persons’ for APRA-regulated superannuation funds and insurers reflects the average remuneration of a representative sample of executives of funds and insurers.
- Growth: base and variable remuneration would grow in line with historical annualised average weekly earnings.

Number of accountable persons

- Major banks: the major banks would each nominate 20 ‘accountable persons’ that would be affected by the remuneration caps.¹
- Smaller authorised deposit-taking institutions: the Chief Executive Officers of smaller authorised deposit-taking institutions would be affected by the remuneration caps, but other ‘accountable persons’ would be remunerated below the cap.
- Average board size: the average board size of APRA-regulated superannuation funds and insurers is the same as the average board size of Australian firms.
- Foreign firms: half of all general and life insurance firms are foreign-owned and would not be affected by the proposal.
- Subsidiaries: half of all APRA-regulated superannuation funds are a branch of an authorised deposit-taking institution that is already affected by the proposal.

Behavioural responses

- A proportion of remuneration that is above the caps would not be captured by the proposal due to affected institutions finding ways to get around the remuneration cap or mitigate the impact.
 - For instance, income could be split between family members, or a proportion of income could be deferred to future years.
 - In the absence of this behavioural response, the cost of this proposal would be about 40 per cent higher over the 2019-20 Budget forward estimates period. A larger behavioural response would make the overall revenue impact less negative.
- Executives would not have the ability to bring forward a portion of taxable income from 2019-20 to 2018-19 to mitigate the impact of the proposal.
 - Shareholders of the major banks have recently rejected a number of executive remuneration packages in response to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and have been assessed to be unlikely to support a bring-forward in payments.

¹ See, for instance, APRA 2018. *BEARs and CUBs*. [Online] Available at: <https://www.apra.gov.au/media-centre/speeches/bears-and-cubs> [Accessed 21 May 2019]

Methodology

- Average remuneration was based on a sample of base and variable remuneration data sourced from selected 2018 annual reports of authorised deposit-taking institutions, APRA-regulated superannuation funds and insurance companies.
- The data were used to estimate the average base and variable remuneration amounts for accountable persons in each industry.
- The decline in personal income tax revenue was calculated as the difference between the average remuneration and the remuneration cap, multiplied by the top marginal tax rate (including the Medicare levy).
- The increase in company tax revenue was calculated as the decrease in deductions for affected institutions, multiplied by the large company tax rate.
 - Remuneration amounts exceeding the cap would no longer be a deductible expense for companies affected by the proposal and would therefore lead to an increase in company tax revenue.
- This revenue cost was then revised downwards as behavioural responses were incorporated, reflecting the assumptions outlined above.
- The modelling has taken into account the timing of tax collections.
- All revenue estimates have been rounded to the nearest \$10 million.
- Departmental expense have been rounded to the nearest \$1 million.

Data sources

Australia and New Zealand Banking Group Limited, 2018. *2018 Annual Report*.

Australian Bureau of Statistics, *Average Weekly Earnings, Australia, Nov 2018*, ABS Cat. 6302.0, 21 February 2019.

Australian Super, 2018. *2017-18 Annual Report*.

Bank of Queensland, 2018. *2018 Annual Report*.

BEARs and CUBs. [Online] Available at: <https://www.apra.gov.au/media-centre/speeches/bears-and-cubs> [Accessed 21 May 2019].

Bendigo and Adelaide Bank, 2018. *Annual Financial Report 2018*.

Challenger Limited, 2018. *2018 Annual Report*.

Commonwealth Bank of Australia, 2018. *Annual Report 2018*.

Insurance Australia Group Limited, 2018. *Annual Report 2018*.

Macquarie Group, 2018. *2018 Annual Report*.

My State Limited, 2018. *2018 Annual Report*.

National Australia Bank, 2018. *Annual Financial Report 2018*.

Nguyen, P., Rahman, N., Tong, A., Zhao, R., 2015. *Board Size and Firm Value: Evidence from Australia*, UTS Business School.

Register of authorised deposit-taking institutions. [Online] Available at:
<https://www.apra.gov.au/register-authorised-deposit-taking-institutions> [Accessed 21 May 2019].

Register of general insurance. [Online] Available at:
<https://www.apra.gov.au/register-general-insurance> [Accessed 21 May 2019].

Register of life insurance companies. [Online] Available at:
<https://www.apra.gov.au/register-life-insurance-companies> [Accessed 21 May 2019].

Register of private health insurers. [Online] Available at:
<https://www.apra.gov.au/register-private-health-insurers> [Accessed 21 May 2019].

Register of superannuation institutions. [Online] Available at:
<https://www.apra.gov.au/register-superannuation> [Accessed 21 May 2019].

Suncorp Group Limited, 2018. *Directors' Report and Financial Statements 2017-18.*

Westpac, 2018. *2018 Westpac Group Annual Report.*

Attachment A – Cap the obscene pay packages of banking executives – financial implications

Table A1: Cap the obscene pay packages of banking executives – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
<i>Personal income tax</i>	-120	-140	-140	-140	-540
<i>Company tax</i>	50	120	90	90	360
Total – revenue	-70	-20	-50	-50	-180
Expenses					
<i>Departmental</i>					
<i>Australian Taxation Office</i>	-1	-1	-1	-1	-4
Total – expenses	-1	-1	-1	-1	-4
Total	-71	-21	-51	-51	-184

(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.



Policy costing

Make quality telecommunications affordable for all Australians, including in regional areas	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>The proposal has four components.</p> <ul style="list-style-type: none"> • Component 1 – Provide capped funding of \$250 million, spread evenly over three years from 2020-21 to 2022-23, to support the migration of vulnerable consumers to the National Broadband Network (NBN). • Component 2 – Replace the Telephone Allowance with a Federal Telecommunications Concession (starting at \$60 per quarter from 1 July 2020), payable to all holders of a Department of Human Services (DHS) Health Care Card. The payment would be indexed annually to the communications group consumer price index (CPI). • Component 3 – Expand the Australian Competition and Consumer Commission (ACCC) Broadband Performance Monitoring Program to include fixed wireless and satellite services. Funding would be provided from 1 July 2020 to 30 June 2022. • Component 4 – Provide capped funding of \$100 million per year from 2020-21 to 2022-23 to extend the Mobile Black Spot Program. <p>The proposal would have effect from 1 July 2020.</p>	

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$1,775.2 million over the 2019-20 Budget forward estimates period. This impact reflects an increase of \$1,733.0 million in administered expenses and an increase of \$42.2 million in departmental expenses over this period.

Component 2 of this 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 at [Attachment A](#).

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-8.7	-589.3	-589.3	-588.1	-1,775.2
Underlying cash balance	-8.7	-589.3	-589.3	-588.1	-1,775.2

(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.

Key assumptions

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

- Departmental expenses for Component 1 reflect the profile for a program of comparable complexity.
- All recipients potentially eligible for the Federal Telecommunications Concession (Component 2) would claim it.
- The cost of expanding the Broadband Performance Monitoring Program (Component 3) would be provided on similar commercial terms to the existing program, scaled to account for the number and geographical distribution of fixed wireless and satellite broadband service customers.

Methodology

The following methodologies were adopted to estimate the financial impact of each component.

- Component 1 consists of a specified capped amount for administered expenses. The estimated departmental expenses reflect the profile of a similar program, scaled by the specified capped administered expense. Administered and departmental expenses apply over three years from 2020-21 to 2022-23.
- Component 2 was calculated by subtracting the baseline expenditure (Telephone Allowance) from the proposed estimated expenditure (Federal Telecommunications Concession).
 - Baseline Telephone Allowance expenditure was calculated by multiplying the projected number of eligible recipients by the applicable rate, grown by the CPI over the medium term.
 - Estimated expenditures under the Federal Telecommunications Concession was calculated by multiplying the projected number of eligible DHS Health Care Card (the Health Care Card and the Commonwealth Seniors Health Card) holders by the annual specified concession value, grown by the communications group CPI.
 - Departmental expenditures include ongoing expenses over the medium term to 2029-30.
- Component 3 reflects the estimated cost of establishing a performance and monitoring program, scaled by the number and geographical distribution of fixed wireless and satellite broadband service customers. Departmental expenditures were calculated based on the cost of system changes and support required to cater for additional recipients.
- Component 4 reflects specified capped amounts.

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

Data sources

The Department of Social Services provided the estimated number of DHS Health Care Card holders as at the 2019-20 Budget.

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

The Treasury provided population projections and additional indexation parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

Australian Bureau of Statistics, No. 6401.0 *Consumer Price Index, Australia, Dec 2018*, Canberra: ABS. [Online] Available at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6401.0Main+Features1Dec%202018?OpenDocument> [Accessed 17.04.2019].

Commonwealth of Australia, 2017. *2017-18 Budget Papers*, Canberra: Commonwealth of Australia.

Australian Bureau of Statistics, No. 8153.0 *Internet Activity, Australia, June 2018*, Canberra: ABS. [Online] Available at: <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8153.0Main+Features1June%202018?OpenDocument> [Accessed 17.04.2019].

Department of Human Services, 2018. *Telephone Allowance*, Canberra: DHS. [Online] Available at: <https://www.humanservices.gov.au/individuals/services/centrelink/telephoneallowance> [Accessed 17.04.2019].

Attachment A – Make quality telecommunications affordable for all Australians, including in regional areas

Table A1: Make quality telecommunications affordable for all Australians, including in regional areas – 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													
<i>Administered</i>													
<i>Component 1 – Migrating vulnerable consumers to the NBN</i>	-	-83.3	-83.3	-83.3	-	-	-	-	-	-	-	-250.0	-250.0
<i>Component 2 – Introducing a Federal Telecommunications Concession</i>	-	-394.3	-394.6	-394.2	-393.3	-391.8	-390.3	-388.4	-386.4	-384.1	-381.5	-1,183.0	-3,898.8
<i>Component 4 – Extending the Mobile Black Spot Program</i>	-	-100.0	-100.0	-100.0	-	-	-	-	-	-	-	-300.0	-300.0
Total – administered	-	-577.6	-577.9	-577.5	-393.3	-391.8	-390.3	-388.4	-386.4	-384.1	-381.5	-1,733.0	-4,448.8
<i>Departmental</i>													
<i>Component 1 – Migrating vulnerable consumers to the NBN</i>	-	-0.8	-0.7	-0.7	-	-	-	-	-	-	-	-2.2	-2.2
<i>Component 2 – Introducing a Federal Telecommunications Concession</i>	-8.7	-9.9	-9.9	-9.9	-9.8	-9.8	-9.8	-9.7	-9.7	-9.6	-9.5	-34.5	-102.4
<i>Component 3 – Expanding the ACCC’s Broadband Performance Monitoring Program</i>	-	-1.0	-0.8	-	-	-	-	-	-	-	-	-1.8	-1.8
Total – departmental	-8.7	-11.7	-11.4	10.6	-9.8	-9.8	-9.8	-9.7	-9.7	-9.6	-9.5	-42.5	-110.4
Total – expenses	-8.7	-589.3	-589.3	-588.1	-403.1	-401.6	-400.1	-398.1	-396.1	-393.7	-391.0	-1,775.2	-4,558.9

(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.



Policy costing

Expand Australian Communications and Media Authority's (ACMA's) responsibilities and strengthen enforcement mechanisms

Party: Australian Greens

Summary of proposal:

This proposal would expand the Australian Communications and Media Authority's (ACMA's) regulatory scope to include all Australian free-to-air, subscription and streaming services. The ACMA's enforcement mechanisms would be strengthened to enable them to take action when rules have been breached, with particular regard to hate speech.

The definition of 'community safeguards' would be expanded to include the protection of the public from content that maligns a person or persons based on certain characteristics.

This 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 \$22.6 million over the 2019-20 Budget forward estimates period. This entirely reflects an increase in departmental expenses.

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

The financial implications are sensitive to changes in wage growth and changes in the level of activity within the Australian media market.

Table 1: Financial implications (\$m)^(a)

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-6.0	-5.6	-5.5	-5.5	-22.6
Underlying cash balance	-6.0	-5.6	-5.5	-5.5	-22.6

(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

In costing this proposal, the Parliamentary Budget Office has assumed that regulating subscription and streaming services would be proportionally resource intensive to regulating free-to-air television by viewership.

Methodology

The financial implications of this proposal were calculated by proportionally increasing the departmental appropriation for the ACMA, relative to the increase in scope of responsibility under this proposal. The estimated increase in scope has been determined based on the distribution of viewership between different media.

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

Data sources

OzTAM Pty Ltd, 2019. *A2 Consolidated 7 Metropolitan Total TV Share of All Viewing – All Homes*. [Online] Available at: <https://oztam.com.au/LatestAvailableReports.aspx> [Accessed 30.05.2019].

Deloitte Touche Tohmatsu, 2017. *Media Consumer Survey 2017*. [Online] Available at: http://landing.deloitte.com.au/rs/761-IBL-328/images/tmt-media-consumer-survey-2017-INB_pdf.pdf [Accessed 30.05.2019].

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



Policy costing

Use the Reserve Bank of Australia to establish a People's Bank to provide basic banking services	
Party:	Australian Greens
Summary of proposal: The proposal would establish a People's Bank, which would make selected retail banking products available through the Reserve Bank of Australia (RBA). Products would include savings accounts with interest rates linked to the RBA cash rate, and mortgages tracking the RBA cash rate for owner-occupiers. Loans would be for up to 60 per cent of the value of a property, up to a maximum of \$500,000. The proposal would have effect from 1 July 2019.	

Costing overview

The proposal would be expected to have an ongoing but unquantifiable financial impact.

The Parliamentary Budget Office (PBO) does not have sufficient expertise to reliably estimate the fiscal implications of this proposal. There are substantial uncertainties surrounding the possible implications of the People's Bank for the banking sector and financial markets. The Commonwealth Government is not proposed to make a direct financial contribution to the People's Bank, so there would be no direct impact on the budget from this proposal. There would, however, be direct flow-on effects to the profitability of other loan providers as a result of the proposal. These direct flow-on effects, which depend on the detailed implementation of this proposal and how existing lenders respond to the People's Bank, could be expected to have impacts on the corporate taxes paid by these other institutions and therefore on the Commonwealth Government budget.

Detailed sector-specific analysis and modelling would be required to estimate the likely impacts of the proposal and its financial implications for the Commonwealth Government, and this type of analysis goes beyond the capability of the PBO.

- Modelling would be required to form an assessment of the likely extent to which borrowers would seek loans from the People's Bank. This would largely depend on the interest margin between the loans offered by the People's Bank and other loan providers which, in turn, would depend on sector-specific judgements about how the rest of the industry would respond to the establishment of this new institution. In addition, the responses of other financial institutions, and therefore the impact of the proposal on the Commonwealth Government budget, depend on specific institutional details of the People's Bank which remain to be determined.

- Forming an assessment of the fiscal impact of establishing the People’s Bank would also depend on the detailed administrative cost structure of the proposed People’s Bank and of those other institutions through whom it is proposed such loans could be administered. This information is not readily available to the PBO, or within the Commonwealth Government, for an institution of this scale and would need to be informed by sector-specific expertise and analysis.

Table 1: Financial implications (\$m)

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

* Indicates unquantifiable.



Policy costing

Change superannuation taxation arrangements and double the low income superannuation tax offset

Party: Australian Greens

Summary of proposal:

This proposal has three components.

- Component 1: Increase the low income superannuation tax offset from 15 cents per dollar to 30 cents per dollar, up from a maximum of \$500 to \$1,000 annually.
- Component 2: Reduce the Division 293 threshold from \$250,000 to \$180,000.
- Component 3: Abolish the \$450 superannuation guarantee monthly earnings threshold.

This proposal would have effect from 1 July 2019.

Costing overview

The proposal would be expected to increase the fiscal balance by \$252 million and the underlying cash balance by \$1,012 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, this impact reflects an increase in revenue of \$3,590 million, offset by an increase in administered expenses of \$3,310 million and an increase in departmental expenses of \$28 million over this period. On an underlying cash balance basis, this impact reflects an increase in receipts of \$3,390 million, offset by an increase in administered payments of \$2,350 million and an increase in departmental payments of \$28 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	-717	-237	453	643	252
Underlying cash balance	83	-117	363	643	1,012

(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 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](#).

The fiscal balance impact of the proposal differs from the underlying cash balance for each of the three components.

- Both the increase in the low income superannuation tax offset and the abolition of the \$450 superannuation guarantee monthly earnings threshold would lead to an increase in payments of the low income superannuation tax offset. For the payment of the additional tax offset, the fiscal balance impact occurs in the year in which the superannuation contributions are made, while the underlying cash balance impact occurs in the year in which cash payments are made.
- For the reduction of the Division 293 threshold, the liability for the extra tax on contributions for some members of defined benefit superannuation schemes is deferred until a superannuation benefit is paid. As such, the fiscal balance impact 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.

This 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.
 - Post-tax savings would differ under the proposal due to changes in savings inside and outside of superannuation, and changes in superannuation taxation.
- 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 changes in post-tax savings may result in a change in reliance on the age pension for some individuals, 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: Individuals eligible for the low income superannuation offset would not increase their contributions in response to this component.

- Component 2: Individuals with income¹ between the proposed Division 293 threshold (\$180,000) 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 become eligible for superannuation guarantee as a result of this proposal would not adjust their working hours, nor would they make changes to their voluntary superannuation contributions.

Component 3: Abolish the superannuation guarantee monthly earnings threshold

- Earnings that are currently below the superannuation guarantee monthly earnings threshold of \$450 a month are estimated from annual payment summaries.
 - Monthly data on 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 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.
 - The scope to reduce wages to offset higher superannuation guarantee payments would be limited, 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 a decrease in company tax receipts.
 - 80 per cent of affected employers have sufficient taxable income to use the increased tax deductions.
- All additional contributions tax paid by individuals who would become eligible for the superannuation guarantee would be refunded through the low income superannuation tax offset payments.
 - As such, Component 3 interacts with Component 1, as the low income superannuation tax offset would double.
- There would be no material additional compliance costs on employers and superannuation funds as a result of the proposal.

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.

Methodology

- For Components 1 and 2, 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 and expenses were projected for each year over the period to 2029-30 under a baseline scenario, and under each component.
- For Component 3, the financial implications were estimated by calculating the expected change in the amount of company 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), the additional amount of low income superannuation tax offset that would be paid, and the increase in 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.
- Behavioural responses were incorporated, reflecting the assumptions above.
- Departmental expense estimates were based on past departmental expenses for policies with similar administrative complexity.
- The modelling has taken into account the timing of tax collections.
- Estimates of revenue and administered expenses for all components and interactions have been rounded to the nearest \$10 million, excluding Component 2 which has been rounded to the nearest \$100 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
- superannuation member contribution statements, self-managed superannuation fund returns and pay-as-you-go payment summaries for 2015-16 and 2016-17.

The Treasury provided economic forecasts for personal income and superannuation tax as at the 2019 Pre-election Economic and Fiscal Outlook.

Attachment A – Change superannuation taxation arrangements and double the low income superannuation tax offset – financial implications

Table A1: Change superannuation taxation arrangements and double the low income superannuation tax offset – 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													
<i>Component 1: Increase the low income superannuation tax offset</i>	-	10	20	20	30	40	50	60	70	80	90	50	460
<i>Component 2: Reduce the Division 293 tax threshold</i>	100	600	1,300	1,500	1,800	2,000	2,200	2,500	2,800	3,100	3,500	3,600	21,200
<i>Component 3: Abolish the Superannuation Guarantee monthly earnings threshold</i>	-10	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-60	-180
Total – revenue	90	590	1,300	1,500	1,810	2,020	2,230	2,540	2,850	3,160	3,570	3,590	21,480
Expenses													
<i>Administered</i>													
<i>Component 1: Increase the low income superannuation tax offset</i>	-760	-760	-780	-790	-790	-780	-770	-740	-700	-670	-640	-3,090	-8,180
<i>Component 3: Abolish the Superannuation Guarantee monthly earnings threshold</i>	-20	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-110	-330
<i>Interactions (Components 1 and 3)</i>	-20	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-110	-330
Total – administered	-800	-820	-840	-850	-850	-840	-830	-800	-760	-730	-700	-3,310	-8,840
<i>Departmental</i>													
<i>Component 2: Reduce the Division 293 tax threshold</i>	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-16	-44
<i>Component 3: Abolish the Superannuation Guarantee monthly earnings threshold</i>	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3	-12	-33
Total – departmental	-7	-7	-7	-7	-7	-7	-7	-7	-7	-7	-7	-28	-77
Total – expenses	-807	-827	-847	-857	-857	-847	-837	-807	-767	-737	-707	-3,338	-8,917
Total	-717	-237	453	643	953	1,173	1,393	1,733	2,083	2,423	2,863	252	12,563

(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: Change superannuation taxation arrangements and double the low income superannuation tax offset – 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													
<i>Component 1: Increase the low income superannuation tax offset</i>	-	10	20	20	30	40	50	60	70	80	90	50	460
<i>Component 2: Reduce the Division 293 tax threshold</i>	100	600	1,200	1,500	1,700	1,800	2,100	2,300	2,600	2,900	3,200	3,400	19,900
<i>Component 3: Abolish the Superannuation Guarantee monthly earnings threshold</i>	-10	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-60	-180
Total – receipts	90	590	1,200	1,500	1,710	1,820	2,130	2,340	2,650	2,960	3,270	3,390	20,180
Payments													
<i>Administered</i>													
<i>Component 1: Increase the low income superannuation tax offset</i>	-	-660	-770	-790	-790	-790	-780	-780	-750	-700	-670	-2,210	-7,470
<i>Component 3: Abolish the Superannuation Guarantee monthly earnings threshold</i>	-	-20	-30	-30	-30	-30	-30	-30	-30	-30	-30	-70	-270
<i>Interactions (Components 1 and 3)</i>	-	-20	-30	-30	-30	-30	-30	-30	-30	-30	-30	-70	-270
Total – administered	-	-700	-830	-850	-850	-850	-840	-840	-810	-760	-730	-2,350	-8,010
<i>Departmental</i>													
<i>Component 2: Reduce the Division 293 tax threshold</i>	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-16	-44
<i>Component 3: Abolish the Superannuation Guarantee monthly earnings threshold</i>	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3	-12	-33
Total – departmental	-7	-7	-7	-7	-7	-7	-7	-7	-7	-7	-7	-28	-77
Total – payments	-7	-707	-837	-857	-857	-857	-847	-847	-817	-767	-737	-2,378	-8,087
Total	83	-117	363	643	853	963	1,283	1,493	1,833	2,193	2,533	1,012	12,093

- (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.



Policy costing

Establish a Parliamentary Commissioner to enforce the Lobbyists Register and Lobbying Code of Conduct

Party: Australian Greens

Summary of proposal:

This proposal would establish an independent Parliamentary Commissioner who would be responsible for maintaining and ensuring compliance with the Register of Lobbyists and the Lobbying Code of Conduct.

This proposal would also expand compliance activities under the Lobbying Code of Conduct to ensure that the Code is complied with.

This 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 \$4.0 million over the 2019-20 Budget forward estimates period. This impact entirely reflects 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 proposal is sensitive to changes in wage parameters, remuneration decisions for holders of public office by the Remuneration Tribunal, and the extent to which compliance activities relating to the Lobbying Code of Conduct are implemented.

Table1: Financial implications (\$m)^(a)

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-1.0	-1.0	-1.0	-1.0	-4.0
Underlying cash balance	-1.0	-1.0	-1.0	-1.0	-4.0

(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 Parliamentary Commissioner would receive equivalent remuneration to an Australian Public Service Senior Executive Service Band 3 officer.
- Ongoing existing funding to administer the Register of Lobbyists and Lobbying Code of Conduct would be reallocated from the Attorney-General's Department to the Parliamentary Commissioner.
- The Parliamentary Commissioner would receive a small number of additional staff, reflecting the change in structure and increased enforcement mandate under this proposal.

Methodology

The financial implications of this proposal were determined by calculating estimated departmental costs based on the costs and staffing requirements for Commissioners with a similar scope of responsibility.

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

Data sources

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



Policy costing

Abolish the Australian Building and Construction Commission (ABCC) and Registered Organisations Commission (ROC) and reinstate the Road Safety Remuneration Tribunal

Party: Australian Greens

Summary of proposal:

This proposal has three components.

- Component 1: Abolish the Australian Building and Construction Commission, returning the funds to the Commonwealth Government budget.
- Component 2: Abolish the Registered Organisations Commission, returning the funds to the Commonwealth Government budget.
- Component 3: Reinstatement of the Road Safety Remuneration Tribunal.

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 \$150.9 million over the 2019-20 Budget forward estimates period. This 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](#). Components 1 and 2 of 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 to Australian Building and Construction Commission and Registered Organisations Commission employees, and to the level of re-establishment funding provided to the Road Safety Remuneration Tribunal.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	30.4	39.6	40.2	40.6	150.9
Underlying cash balance	30.4	39.6	40.2	40.6	150.9

(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 made the following assumptions.

Components 1 and 2

- 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.

Component 3

- Re-establishing the Road Safety Remuneration Tribunal would have no net ongoing financial impact as funding would be transferred from the National Heavy Vehicle Regulator to the Fair Work Commission and the Office of the Fair Work Ombudsman.
 - This is consistent with reversing the 2016-17 Budget measure *Road Safety Remuneration Tribunal — abolition*.
- Re-establishment funding for the Road Safety Remuneration Tribunal would be provided and would be comparable to that under the 2011-12 Mid-Year Economic and Fiscal Outlook measure *Road Safety Remuneration System — establishment*.

Methodology

Components 1 and 2

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.

Component 3

Departmental costs for re-establishing the Road Safety Remuneration Tribunal were based on the assumption outlined above.

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].

Commonwealth of Australia, 2016. *2016-17 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2011. *2011-12 Mid-Year Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.

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 – Abolish the Australian Building and Construction Commission (ABCC) and Registered Organisations Commission (ROC) and reinstate the Road Safety Remuneration Tribunal – financial implications

Table A1: Abolish the Australian Building and Construction Commission (ABCC) and Registered Organisations Commission (ROC) and reinstate the Road Safety Remuneration Tribunal – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Departmental expenses					
<i>Component 1 – Abolish the Australian Building and Construction Commission</i>	25.8	33.9	34.7	35.2	129.6
<i>Component 2 – Abolish the Registered Organisations Commission</i>	5.1	5.7	5.5	5.4	21.8
<i>Component 3 – Reinstatement of the Road Safety Remuneration Tribunal</i>	-0.5	-	-	-	-0.5
Total – expenses	30.4	39.6	40.2	40.6	150.9

(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.



Policy costing

Legislate for 10 days' paid family and domestic violence leave	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>The National Employment Standards currently comprise 10 minimum employment entitlements that have to be provided to all employees. These 10 entitlements include things such as maximum weekly hours, annual leave, public holidays, and the provision of notice of termination and redundancy pay. The national minimum wage and the National Employment Standards make up the minimum entitlements for employees in Australia.</p> <p>An award, employment contract, enterprise agreement or other registered agreement cannot provide for conditions that are less than the national minimum wage or the National Employment Standards. That is, the National Employment Standards cannot be excluded.</p> <p>This proposal would add family and domestic violence leave to the National Employment Standards, which would extend the list of minimum entitlements to 11.</p> <p>Family and domestic violence leave would allow all employees to take up to 10 days' paid leave per year, with:</p> <ul style="list-style-type: none">• employees other than casual employees paid at the base rate of pay• casual employees paid at the base rate plus any casual loading for the hours of work in the period for which the employee was rostered. <p>The proposal would have effect from 1 July 2019.</p>	

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by \$26.0 million over the 2019-20 Budget forward estimates period. This impact entirely reflects 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 this proposal are sensitive to the assumptions about leave uptake, the incidence of family and domestic violence where the people affected are Commonwealth employees, and the extent to which salaries and employment types (full- or part-time, casual employment) in all agencies with Commonwealth employees are similar to those covered by the *Public Service Act 1999*.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-3.6	-7.3	-7.5	-7.6	-26.0
Underlying cash balance	-3.6	-7.3	-7.5	-7.6	-26.0

(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 provision of paid family violence leave by private companies and state and territory governments would not have a significant financial impact on the Commonwealth budget.
- The prevalence of Commonwealth employees affected by family and domestic violence is reflective of the prevalence at the national level.
- The average daily cost of family and domestic violence leave for Commonwealth employees is equivalent to the daily salary cost of the median APS staff member (an APS Level 5).
- The uptake of paid family violence leave would directly increase the total amount of leave taken by affected staff.
 - In 2019-20, half of the 10 days of family and domestic violence leave available to affected staff would be utilised. Utilisation of family and domestic violence leave increases over the course of the first year of the proposal.
 - Beyond 2019-20, affected staff would fully utilise the 10 days of family and domestic violence leave provided under this proposal.

Methodology

The additional agency expenses associated with providing family and domestic violence leave to affected individuals was estimated by multiplying the number of leave days (10) by the estimated average daily cost of family and domestic violence leave.

Data sources

Australian Bureau of Statistics, *Recorded Crime – Victims, Australia, 2017*, ABS Cat. No. 4510.0, June 2018, Canberra, Australia.

Australian Bureau of Statistics, *Australian Demographic Statistics, September 2018*, ABS Cat. No. 3101.0, March 2019, Canberra, Australia.

Australian Government, *2019-20 Budget, Agency Resourcing – Budget Paper No. 4*, April 2019, Canberra, Australia.

Australian Public Service Commission. *Australian Public Service State of the Service Report 2017-18*, November 2018, Canberra.



Policy costing

Finish the National Broadband Network (NBN) using the best long-term technology solutions and review NBN pricing structures

Party:

Australian Greens

Summary of proposal:

This proposal has two components.

- Component 1: Finish the NBN using the best long-term technology solutions (including fixed wireless and fixed line services, with satellite the technology of last resort, where no other options are possible) and make it available to all Australians by ensuring regional telecommunications are funded, fair and fit for purpose. This proposal would deliver an NBN that uses fibre to the premises, fibre to the curb, and 5G fixed wireless to bring Australia in line with the capabilities of other countries.
- Component 2: Conduct a transparent review of NBN pricing structures so retailers provide consumers with the best possible connection options, and ensure affordable base-rate broadband packages are available to low-income households.

The proposal would commence on 1 July 2019.

Costing overview

Component 1: Finish the NBN

The Parliamentary Budget Office (PBO) does not have sufficient expertise to reliably estimate the fiscal implications of this component of the proposal. To the extent that implementing this component does result in additional costs for the NBN Corporation, the decision on how to fund these additional costs and the implications for the net worth of the NBN would influence the extent to which it would affect the budget. The PBO therefore assesses this proposal to have an unquantifiable financial impact.

To determine the financial implications of this proposal would require a comprehensive assessment of the current NBN roll-out plans, existing infrastructure and service provision in order to determine what the best long term technology solution is across all regions in Australia. In particular, this would require an assessment of whether, for those premises where satellite is the current or planned method for the delivery of telecommunications services, it truly is the only option.

- Where it is determined that other options are technologically feasible (but for other reasons are not the current or currently planned solution) determining the cost of transitioning to an alternative solution requires sector-specific analysis and modelling.

If there were to be additional costs associated with implementing alternative technological solutions, the decision of NBN Corporation as to how to finance these costs would influence the timing and quantum of impacts on the budget.

- Options available to the NBN Corporation include one, or a combination of any, of the following: equity injections or loans sourced from the Commonwealth Government, equity injections or loans sourced from the private sector, or increases in fees charged to customers.

Component 2: Review NBN pricing structure

The PBO considers that the review could be delivered within the existing resources of a number of government departments including, but not limited to, the Department of Communications and the Arts, the Productivity Commission and the Australian Competition and Consumer Commission.

Table 1: Financial implications (\$m)

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Component 1: Finish the NBN using the best long-term technology					
Fiscal balance	*	*	*	*	*
Underlying cash balance	*	*	*	*	*
Component 2: Conduct a transparent review of NBN pricing structures					
Fiscal balance	-	-	-	-	-
Underlying cash balance	-	-	-	-	-

* Indicates unquantifiable.

- Indicates nil.



Costing interactions

Budget analysis of interactions between the Australian Greens' election commitments

Party:

Australian Greens

Summary of analysis:

This analysis provides estimates of the material interactions between the Australian Greens' 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 Greens 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, *Introduce a 35 per cent minimum tax rate on incomes above \$300,000 and make the deficit levy permanent* (PER618).

The PBO has assessed that four of the Australian Greens' policy proposals materially interact with each other. All of these are revenue proposals. No expenditure proposals were identified as having material interactions.

The four policy proposals with material interactions are as follows.

- *Introduce a 35 per cent minimum tax rate on incomes above \$300,000 and make the deficit levy permanent* (PER618)
- *Reform the tax treatment of discretionary trusts* (PER619)
- *Reverse income tax cuts that will turbocharge inequality* (PER624)
- *Phase out the current tax treatment of negative gearing and the capital gains tax discount* (PER660)

Financial implications

Interactions between the identified policy proposals would be expected to decrease the fiscal and underlying cash balances by \$1,600 million over the 2019-20 Budget forward estimates period. These interactions entirely reflect a net decrease in revenue.

Table1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-100	-400	-500	-600	-1,600
Underlying cash balance	-100	-400	-500	-600	-1,600

(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.

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 decrease the fiscal and underlying cash balances by \$7,400 million. This means that over the period to 2029-30, the expected revenue gain of the four policy proposals taken together is less than the sum of the expected revenue gain from each proposal.

The personal income tax changes increase the average tax rate on trust distributions and on total incomes. Applying a minimum tax rate on trust distributions and applying a minimum tax rate on high incomes (the Buffett rule) would therefore raise less revenue after the personal income tax changes have been applied.

Phasing out negative gearing and the capital gains tax discount would increase the taxable income of affected individuals. This policy proposal would, therefore, raise additional revenue after the proposed personal income tax changes (including the deficit levy) have been applied, as affected individuals would face increased marginal tax rates.

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 Greens’ election commitments – financial implications

Table A1: Budget analysis of interactions between the Australian Greens’ election commitments – 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
<i>Revenue</i>	-100	-400	-500	-600	-700	-700	-1,000	-900	-900	-800	-800	-1,600	-7,400
Total – revenue	-100	-400	-500	-600	-700	-700	-1,000	-900	-900	-800	-800	-1,600	-7,400

- (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.

Attachment B – Budget analysis of interactions between the Australian Greens’ 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 aggregate impact of the interactions is invariant to the order in which these are examined.

The four policy proposals identified as having material interactions have been grouped as follows.

A – Personal income tax changes: includes *Reverse income tax cuts that will turbocharge inequality* (PER624) and Component 2 of *Introduce of 35 per cent minimum tax rate on incomes above \$300,000 and make the deficit levy permanent* (PER618)

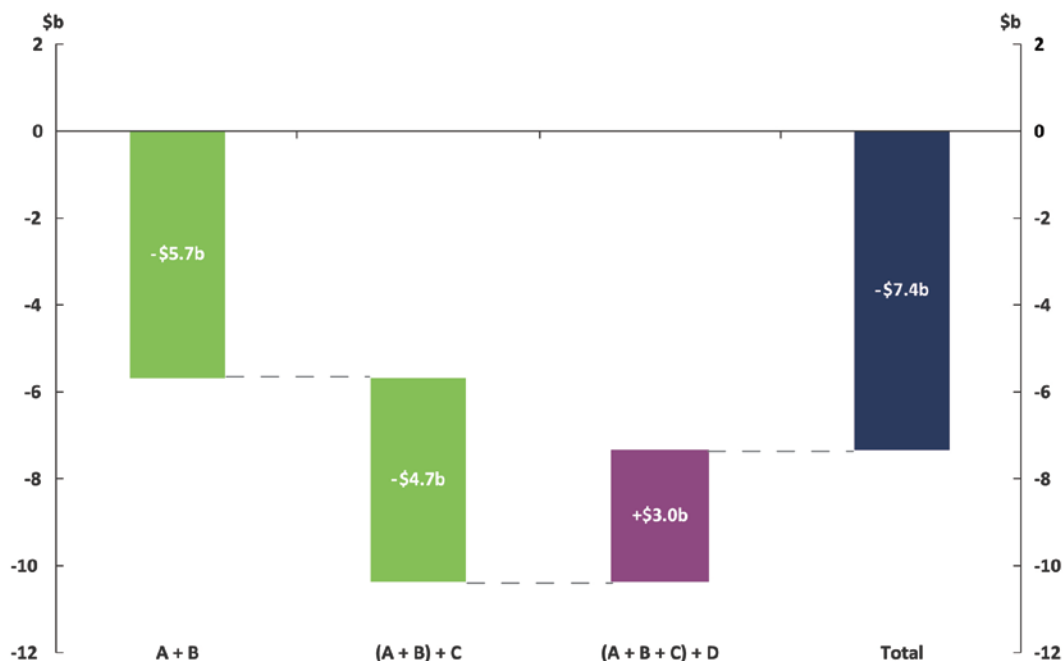
B – Buffett rule: Component 1 of *Introduce of 35 per cent minimum tax rate on incomes above \$300,000 and make the deficit levy permanent* (PER618)

C – Minimum tax rate on trust distributions: *Reform the tax treatment of discretionary trusts* (PER619)

D – Negative gearing and capital gains tax reforms: *Phase out the current tax treatment of negative gearing and the capital gains tax discount* (PER660)

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 Buffett rule together reduces the expected revenue gain from implementing each proposal on its own. The final column shows the net interactions impact of implementing all four 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 Buffett rule would interact negatively with the personal income tax changes by \$5,700 million.
 - This is because the personal income tax changes would increase average tax rates before the Buffett rule is applied.
 - Note that there is also a negative interaction between the Buffett rule and the deficit levy, which is estimated to have an impact of \$6,300 million. Since these two components comprise part of a single proposal, the interaction between them has been captured within the proposal *Introduce a 35 per cent minimum tax rate on incomes above \$300,000 and make the deficit levy permanent* (PER618).
- The minimum tax rate on trust distributions would interact negatively with the Buffett rule and personal income tax changes (taken together) by \$4,700 million.
 - This is because the personal income tax changes and the Buffett rule would increase the tax liability on trust distributions before the minimum tax rate on trust distributions is applied.
- The negative gearing and capital gains tax reforms would interact positively with the minimum tax rate on trust distributions, the Buffett rule and personal income tax changes (taken together) by \$3,000 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 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 net fiscal impact of the interactions between these four policy proposals is to reduce the revenue raised by \$7,400 million, compared with the sum of the fiscal impacts of the individual proposals. This implies that the total net impact of these four proposals is to raise \$464,620 million in revenue over the period from 2019-20 to 2029-30.



Policy costings

Various capped costings	
Party:	Australian Greens
This document details the administered, departmental and total funding amounts for capped costings included in Appendix C, Table C-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
Restore funding cuts and provide additional resources to the Australian Renewable Energy Agency	<i>Administered</i>	-640.0	-422.0	-423.0	-426.0	-1,908.0
	<i>Departmental^(a)</i>	-93.0	-63.0	-63.0	-64.0	-284.0
	Total	-733.0	-485.0	-486.0	-490.0	-2,192.0
Enable Australia to double our energy productivity by helping homes and businesses save energy	<i>Administered</i>	-9.0	-10.0	-10.0	-10.0	-38.0
	<i>Departmental^(a)</i>	-22.0	-21.0	-22.0	-23.0	-89.0
	Total	-31.0	-31.0	-32.0	-33.0	-127.0
Climate adaptation and mine rehabilitation	<i>Administered</i>	-249.9	-259.6	-258.8	-257.1	-1,025.5
	<i>Departmental^(a)</i>	-15.1	-5.4	-6.2	-7.9	-34.5
	Total	-265.0	-265.0	-265.0	-265.0	-1,060.0
A ten-year, \$5 billion plan to address family and domestic violence	<i>Administered</i>	-585.0	-597.0	-610.0	-619.0	-2,409.0
	<i>Departmental^(a)</i>	-54.0	-28.0	-29.0	-29.0	-144.0
	Total	-639.0	-625.0	-639.0	-648.0	-2,553.0
Invest in LGBTIQ+ equality and services, and ensure community representation in government	<i>Administered</i>	-14.1	-14.9	-14.8	-14.8	-58.6
	<i>Departmental^(a)</i>	-9.3	-7.7	-7.9	-7.9	-32.8
	Total	-23.5	-22.7	-22.7	-22.7	-91.5
Reverse Liberal Government cuts and increase funding to legal assistance services	<i>Administered</i>	-236.2	-236.3	-236.3	-236.3	-945.0
	<i>Departmental^(b)</i>	-	-	-	-	-
	<i>Offsets from within existing resources^(d)</i>	-	29.1	42.3	42.9	114.3
	Total	-236.2	-207.1	-194.0	-193.3	-830.7
Properly fund drug and alcohol treatment	<i>Administered</i>	-200.0	-300.0	-400.0	-400.0	-1,300.0
	<i>Departmental^(a)</i>	-1.0	-1.0	-1.0	-1.0	-5.0
	Total	-201.0	-301.0	-401.0	-401.0	-1,305.0
Establish an independent Future of Work Commission	<i>Administered</i>	-	-	-	-	-
	<i>Departmental^(c)</i>	-30.0	-31.0	-31.0	-	-92.0
	Total	-30.0	-31.0	-31.0	-	-92.0

		2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Implement a Royal Commission into wage theft and establish a new wage theft unit	<i>Administered</i>	-	-26.0	-26.0	-	-51.0
	<i>Departmental^(a)</i>	-20.0	-4.0	-4.0	-	-29.0
	Total	-20.0	-30.0	-30.0	-	-80.0
Institute new environment laws overseen by an independent body and double Indigenous ranger positions	<i>Administered</i>	-22.0	-44.0	-68.0	-93.0	-227.0
	<i>Departmental^(c)</i>	-145.0	-158.0	-162.0	-166.0	-632.0
	Total	-167.0	-202.0	-230.0	-259.0	-859.0
Re-regulate electricity prices	<i>Administered</i>	-	-	-	-	-
	<i>Departmental^(c)</i>	-	-15.0	-15.0	-5.0	-35.0
	Total	-	-15.0	-15.0	-5.0	-35.0
Create a publicly owned energy retailer, which invests in 100 per cent renewable energy	<i>Administered</i>	-	-	-	-	-
	<i>Departmental^(c)</i>	-	-85.0	-	-	-85.0
	Total	-	-85.0	-	-	-85.0
Community Development Fund	<i>Administered</i>	-380.2	-384.7	-376.5	-376.3	-1,517.6
	<i>Departmental^(a)</i>	-41.4	-36.9	-45.2	-45.4	-168.9
	Total	-421.6	-421.6	-421.7	-421.7	-1,686.5

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 offset from existing resources as per the policy proposal.