



Parliament of Australia
Parliamentary Budget Office

2014-15 Budget and forward estimates – charts

A graphical summary of the 2014-15 Budget relative to the 2013-14 MYEFO, showing the impacts of policy decisions and other factors.

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Notes

These charts provide a visual summary of the key drivers of the 2014-15 Budget (Budget), and the policy decisions underpinning them.

Data contained in these charts are primarily based on information published in Australian Government Budget papers, annual reports, portfolio budget statements and portfolio additional estimates statements. Where applicable, additional information provided by the Treasury, the Department of Finance (Finance) and other government departments has supplemented the publicly available information.

The charts prepared at the aggregate level for the *underlying cash balance*, *total receipts*, and *total payments* have all been prepared on a cash basis. Charts on revenue heads and selected programs are prepared on an accruals basis, consistent with the presentation of decisions in the Budget papers.

Consistent with the Budget, the charts show the financial impact of policy decisions up to and including 2017-18. The fiscal impact of policy decisions over the medium term is not available. The charts show movements due to parameter and other variations since the Mid-year Economic and Fiscal Outlook 2013-14 (MYEFO), which are available for the 2013-14 to 2016-17 years.

Aggregate medium term estimates are based on the Treasury projections published in the 2014-15 Budget. Medium term projections for schools and hospitals are based on projections published on page 7 of the 2014-15 Budget Overview.

The PBO does not have access to the details of provisions for individual items in the Contingency Reserve in the Budget. Accordingly, the charts in this report are subject to the qualification that they are prepared in the absence of information on the possible impact of any provisions in the Contingency Reserve.

Underlying cash balance

Figure 1: Underlying cash balance – change from 2013-14 MYEFO to 2014-15 Budget estimates

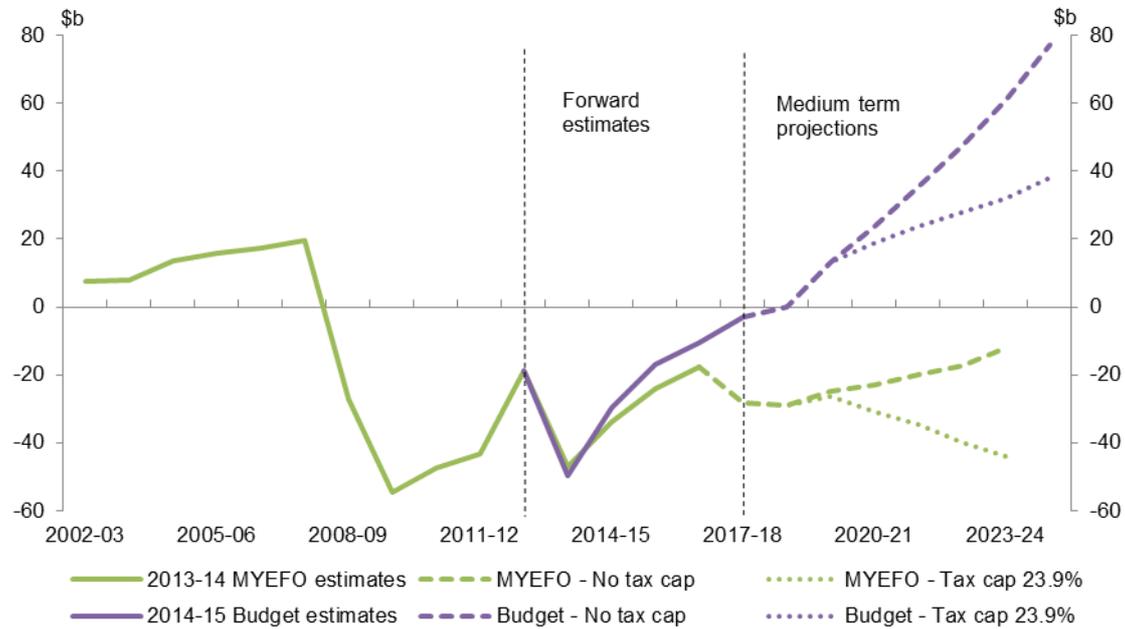
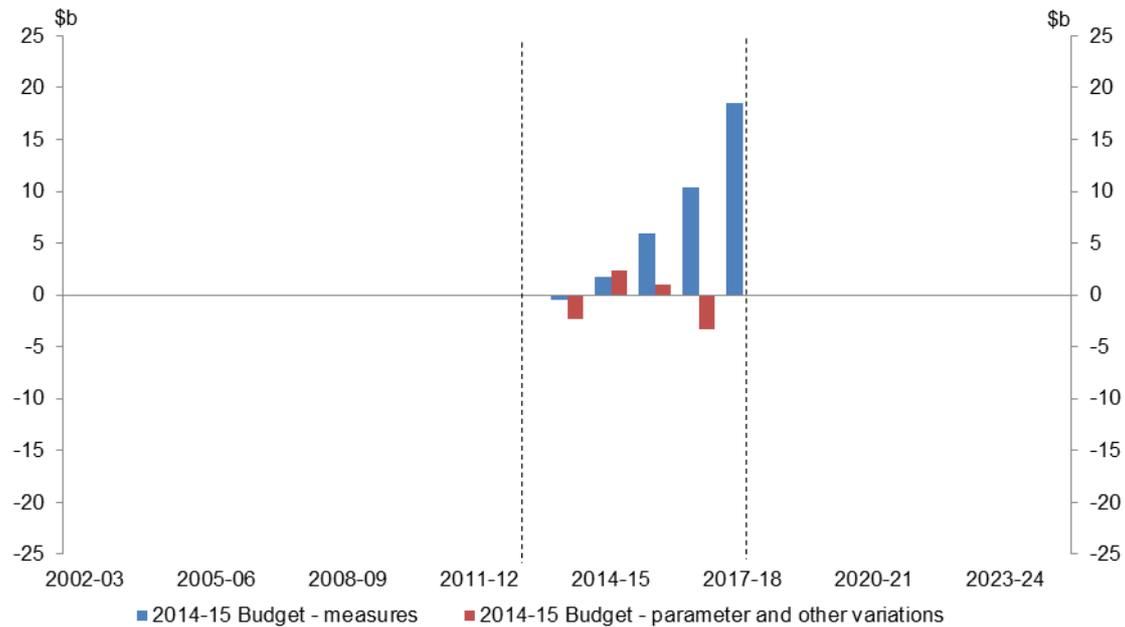


Figure 2: Underlying cash balance – change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Policy decisions are expected to increase the underlying cash balance by \$36.0 billion over the five years to 2017-18, relative to the 2013-14 MYEFO. Parameter and other variations are expected to decrease the underlying cash balance by \$2.2 billion over the four years to 2016-17, relative to the 2013-14 MYEFO. The two medium term receipts scenarios presented in the 2014-15 Budget are shown: one where average tax rates are allowed to rise; and one where tax is capped at 23.9 per cent of GDP.

Total receipts

Figure 3: Total receipts – change from 2013-14 MYEFO to 2014-15 Budget estimates

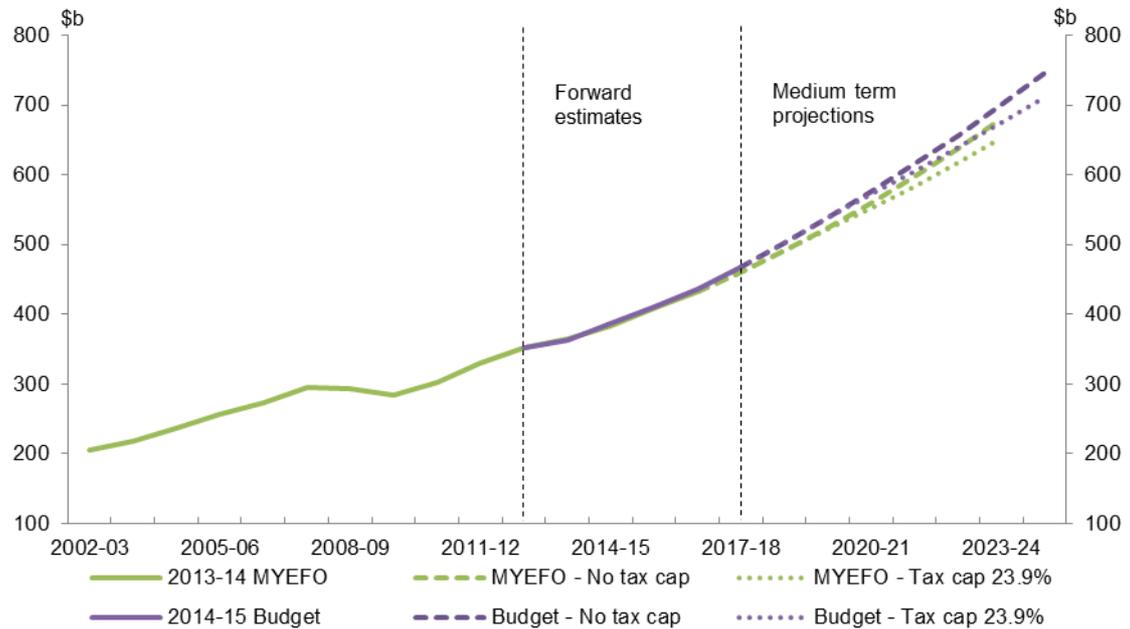


Figure 4: Total receipts – change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, policy decisions are expected to increase total receipts by \$8.3 billion over the five years to 2017-18. Parameter and other variations are expected to increase total receipts by \$1.6 billion over the four years to 2016-17, relative to the 2013-14 MYEFO.
- As shown in the underlying cash balance, two medium term receipts scenarios are shown: with and without a tax cap of 23.9 per cent of GDP.

Total payments

Figure 5: Total payments – change from 2013-14 MYEFO to 2014-15 Budget estimates

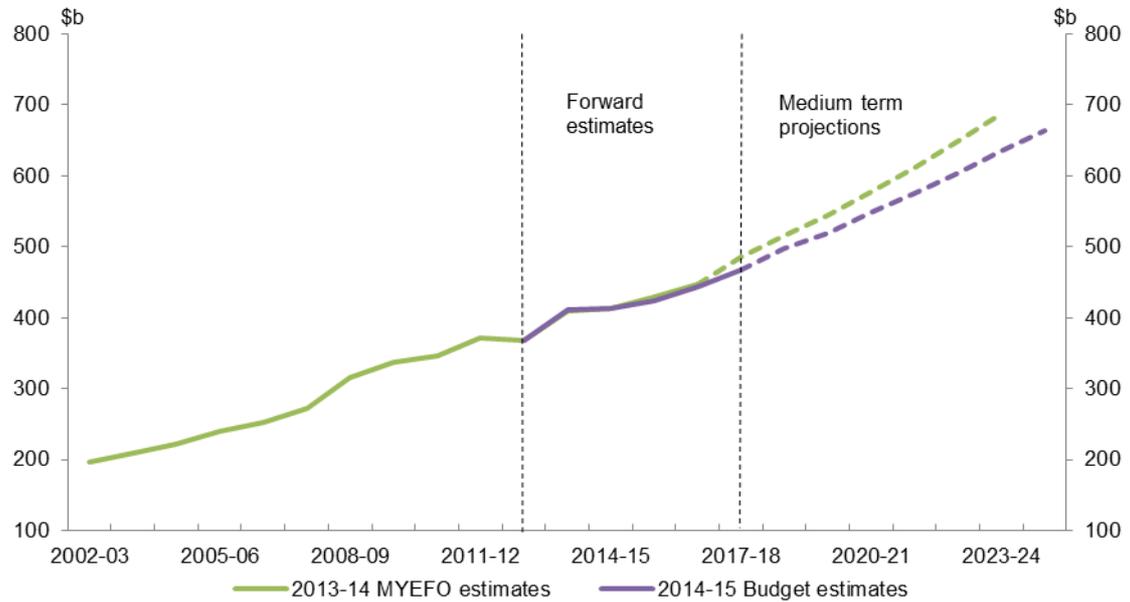
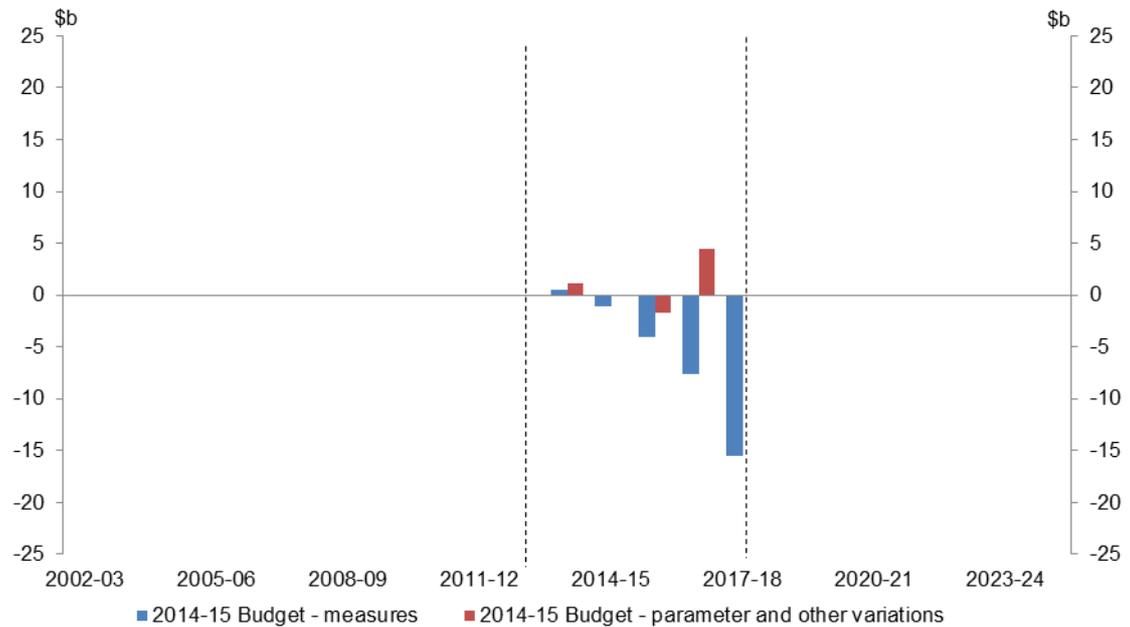


Figure 6: Total payments – change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, policy decisions are expected to decrease total payments by \$27.7 billion over the five years to 2017-18.
- Parameter and other variations are expected to increase total payments by \$3.6 billion over the four years to 2016-17, relative to the 2013-14 MYEFO.

Revenue – individuals and other withholding taxes

Figure 7: Revenue – individuals and other withholding taxes - change from 2013-14 MYEFO to 2014-15 Budget estimates

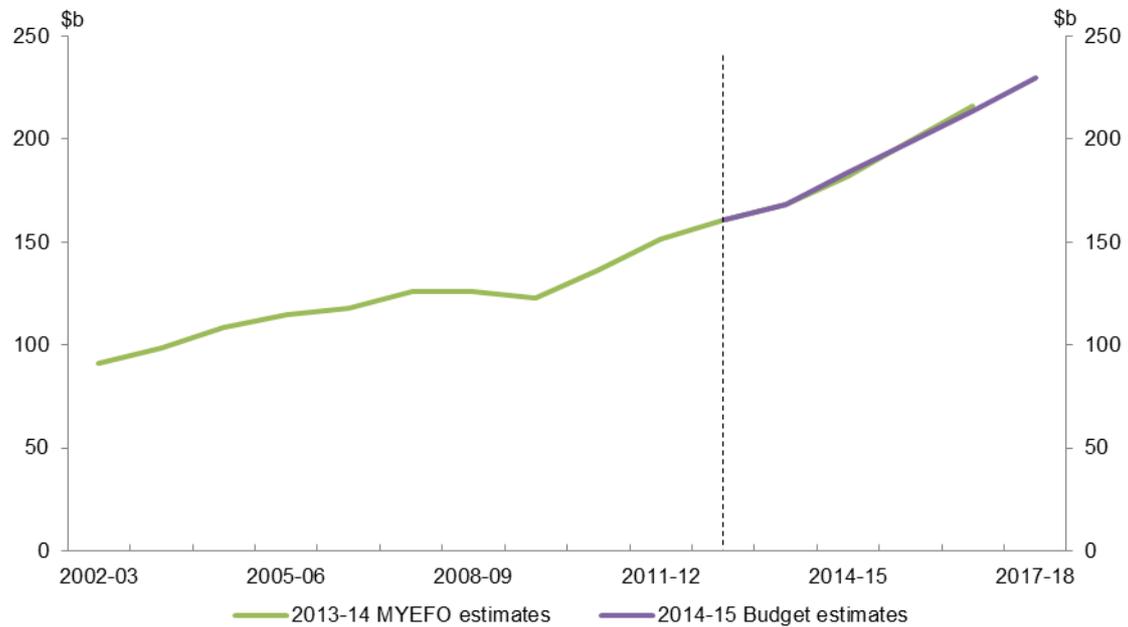
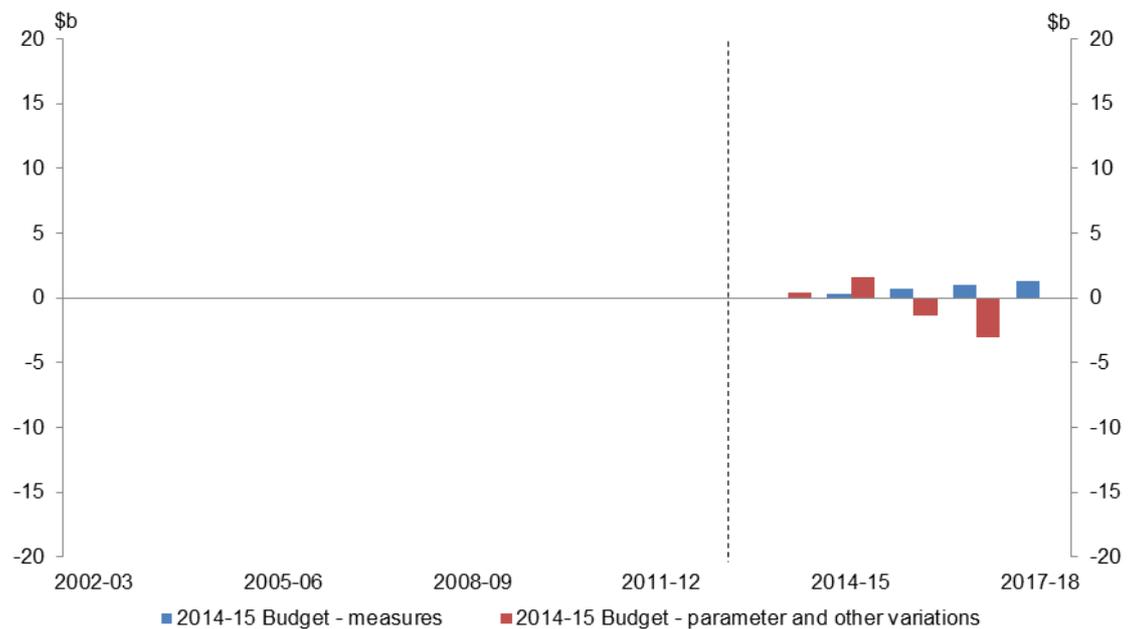


Figure 8: Revenue – individuals and other withholding taxes - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, policy decisions are expected to increase individuals and other withholding tax revenue by \$3.4 billion over the five years to 2017-18, largely reflecting the introduction of the Temporary Budget Repair Levy.
- Variations are expected to decrease individuals and other withholding tax revenue by \$2.3 billion over four years to 2016-17, largely reflecting softer expected wages growth.

Revenue – company tax

Figure 9: Revenue – company tax - change from 2013-14 MYEFO to 2014-15 Budget estimates

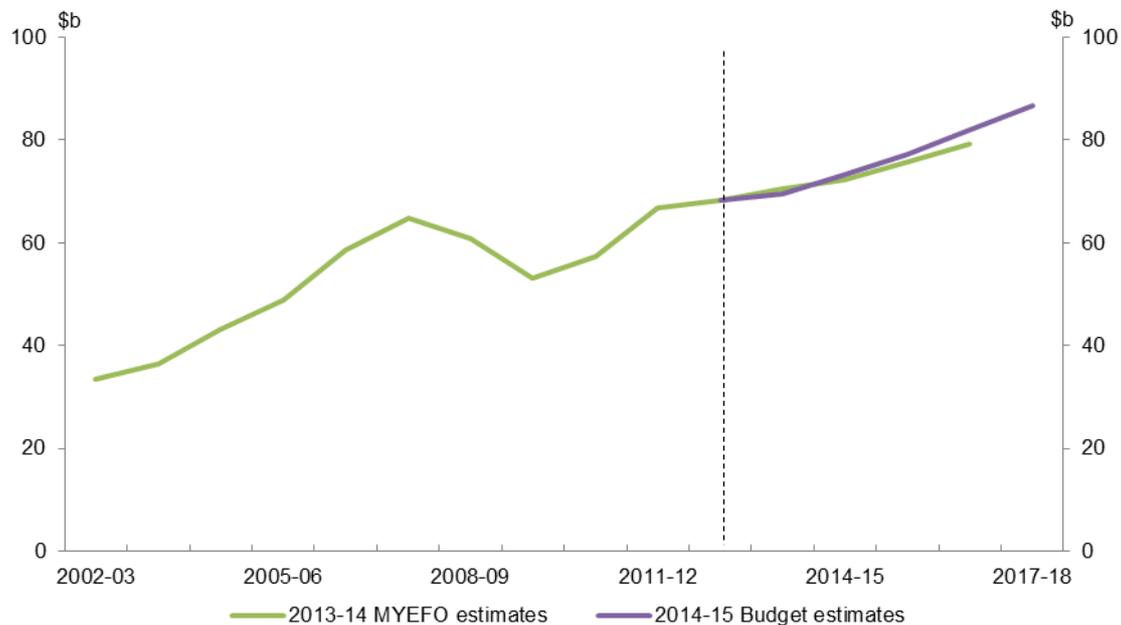
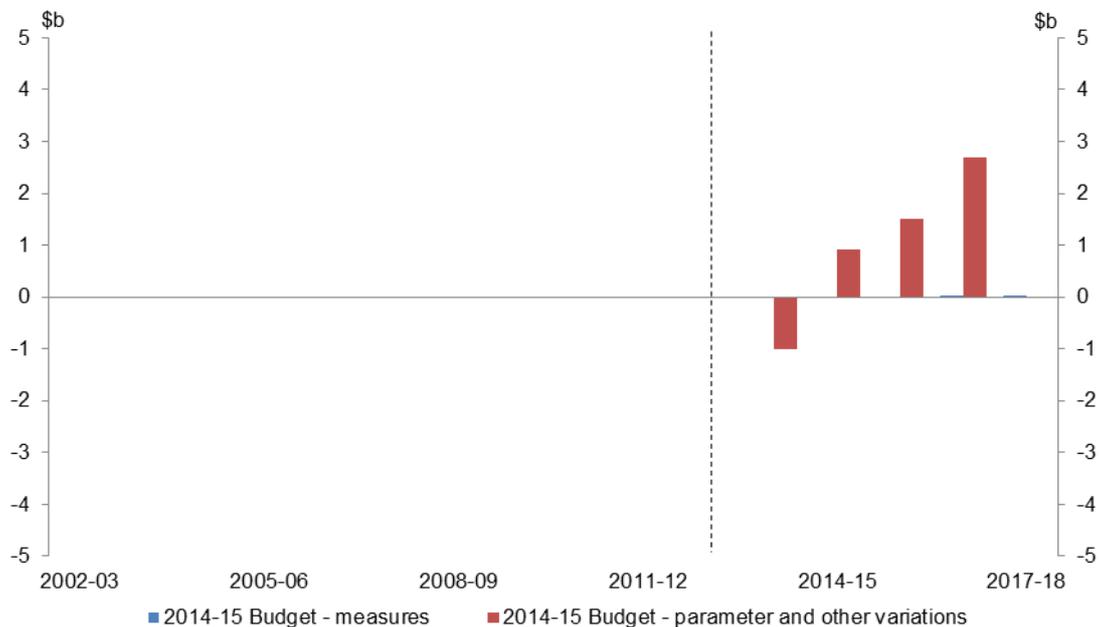


Figure 10: Revenue – company tax - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, measures are expected to reduce company tax revenue by \$18 million over the four years to 2017-18, including decisions to amend or not proceed with measures announced by former governments. The Budget and MYEFO estimates in Figure 9 include a provision for the 1.5 per cent company levy to fund the new Paid Parental Leave Scheme and the reduction in the company tax rate to 28.5 per cent, but these commitments have not been included as policy decisions in the Budget. Relative to the 2013-14 MYEFO, parameter and other variations are expected to increase company tax revenue by \$4.1 billion over the four years to 2016-17, largely reflecting higher corporate profitability.

Revenue – goods and services tax

Figure 11: Revenue – goods and services tax - change from 2013-14 MYEFO to 2014-15 Budget estimates

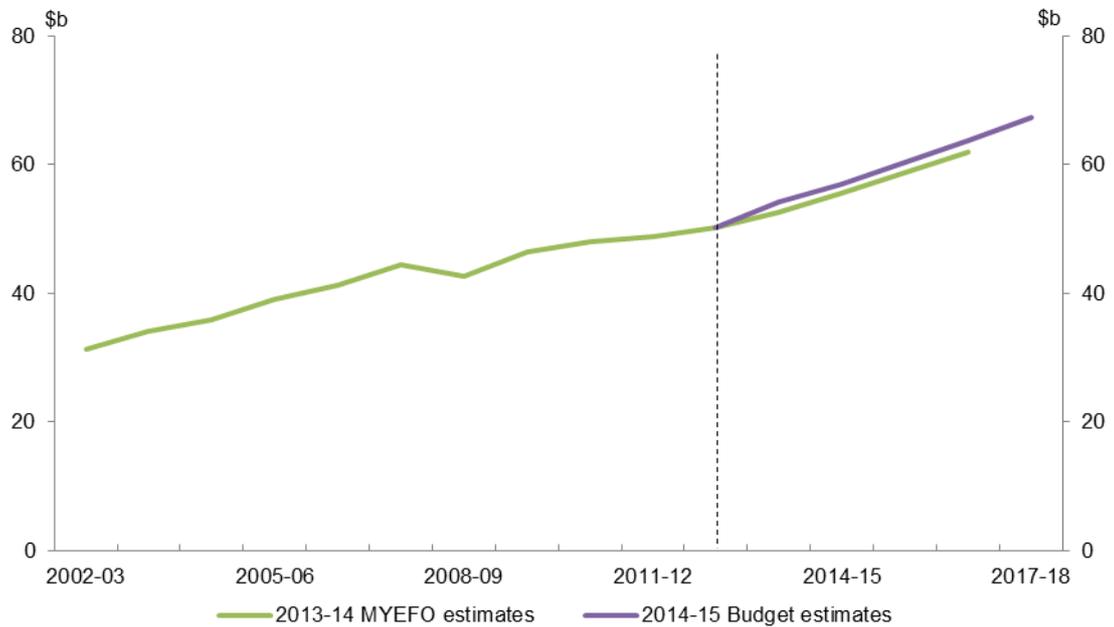
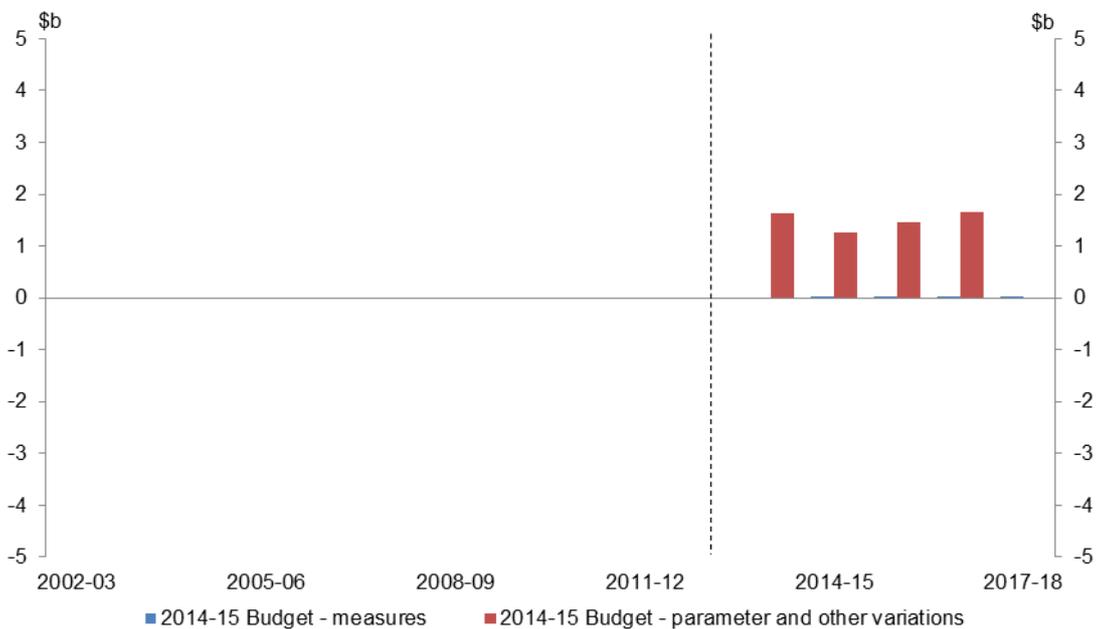


Figure 12: Revenue – goods and services tax - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, parameter and other variations are expected to increase goods and services tax revenue by \$6.0 billion over the four years to 2016-17, largely reflecting stronger expected consumption growth.

Revenue – excise and customs duties

Figure 13: Revenue – excise and customs duties - change from 2013-14 MYEFO to 2014-15 Budget estimates

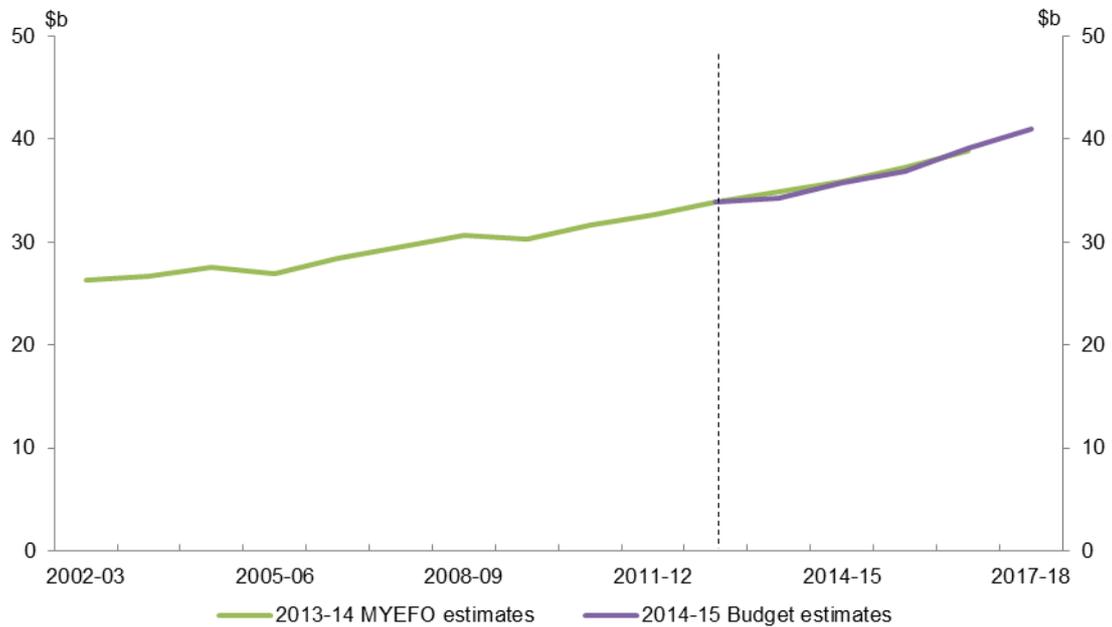
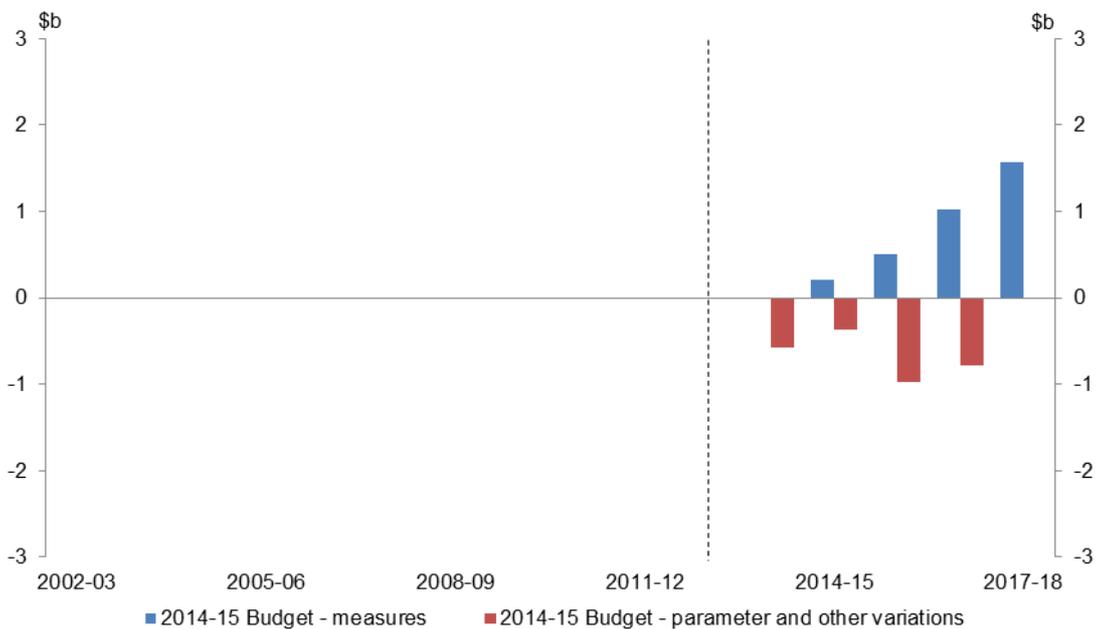


Figure 14: Revenue – excise and customs duties - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, policy decisions are expected to increase excise and customs duties by \$3.3 billion over the five years to 2017-18, largely reflecting the reintroduction of indexation of fuel excise (\$4.0 billion), partially offset by reduced revenue under the Korea-Australia Free Trade Agreement (\$635 million). Compared to the 2013-14 MYEFO, parameter and other variations are expected to decrease excise and customs duties by \$2.7 billion over the four years to 2016-17, largely reflecting lower anticipated sales of tobacco and alcohol.

Revenue – non-tax revenue

Figure 15: Revenue – non-tax revenue - change from 2013-14 MYEFO to 2014-15 Budget estimates

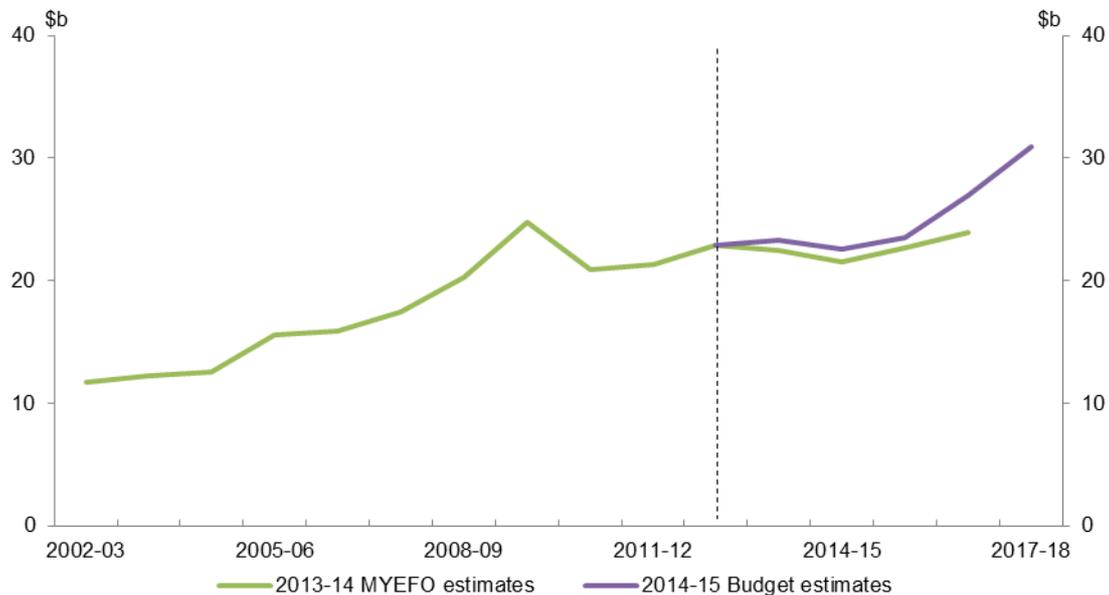
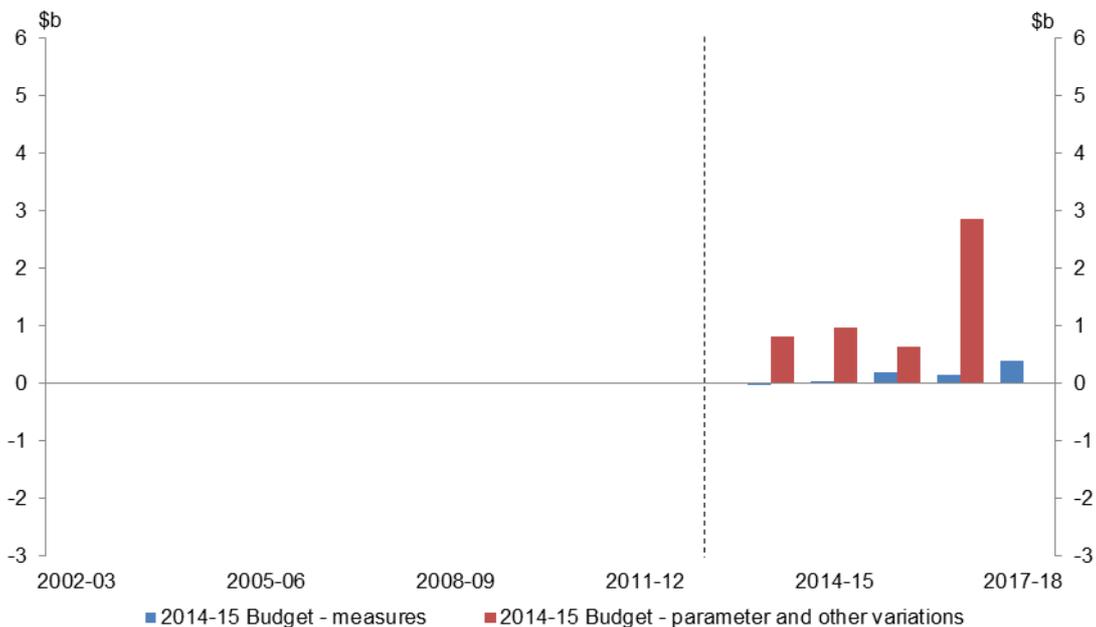


Figure 16: Revenue – non-tax revenue - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, parameter and other variations are expected to increase non-tax revenue by \$5.3 billion over the four years to 2016-17. Factors causing this increase include the recognition of state and territory contributions to the National Disability Insurance Scheme (NDIS) for the first time.
- These contributions are offset by an increase in NDIS expenses, as shown in Figures 33 and 34 on page 17. Relative to the 2013-14 MYEFO, policy decisions are expected to increase non-tax revenue by \$0.8 billion over the five years to 2017-18, largely due to the changes to the indexation of HELP debts from 1 June 2016.

Expenses – age pension

Figure 17: Expenses – age pension - change from 2013-14 MYEFO to 2014-15 Budget estimates

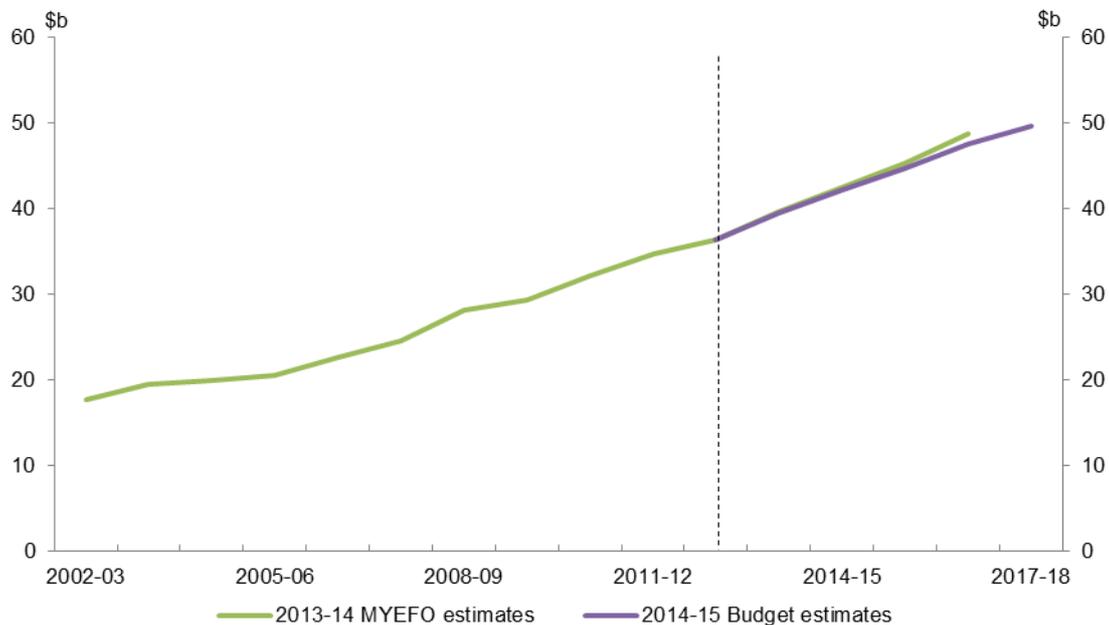
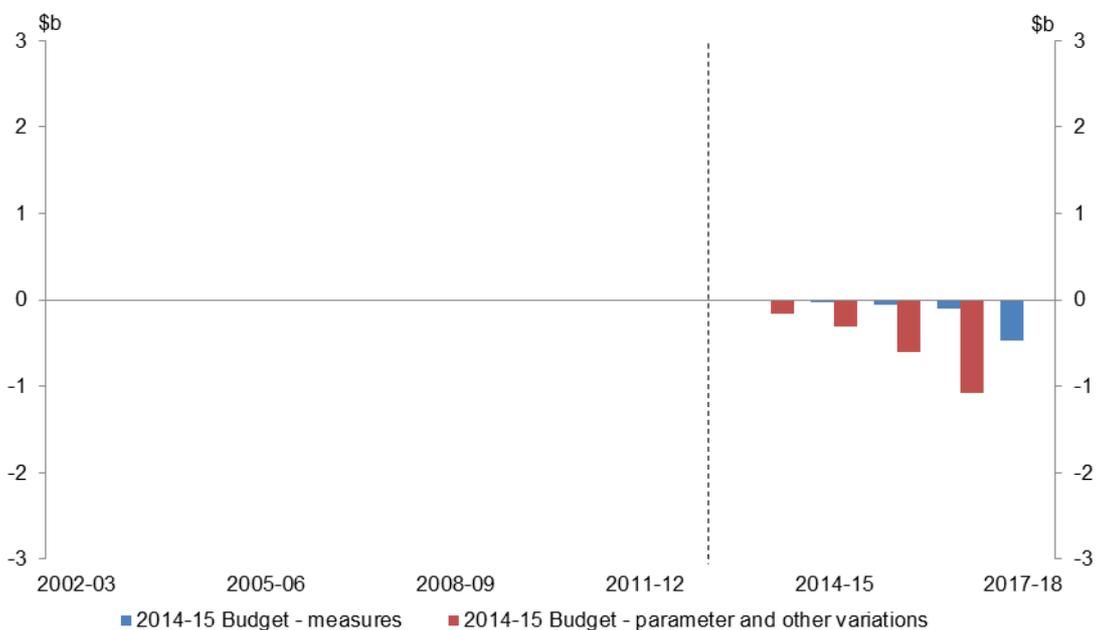


Figure 18: Expenses – age pension - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Compared to the 2013-14 MYEFO, measures including indexing the age pension by CPI are expected to decrease age pension spending by \$0.7 billion over the four years to 2017-18. Measures taking effect after 2017-18 are expected to further reduce the growth in age pension spending. Parameter and other variations are expected to reduce age pension expenses relative to the 2013-14 MYEFO by \$2.2 billion over four years to 2016-17, reflecting lower expected recipient numbers and average payment rates, related to the increase in the female age pension age and an increase in the value of financial assets held by pensioners.

Expenses – Family Tax Benefit

Figure 19: Expenses – Family Tax Benefit - change from 2013-14 MYEFO to 2014-15 Budget estimates

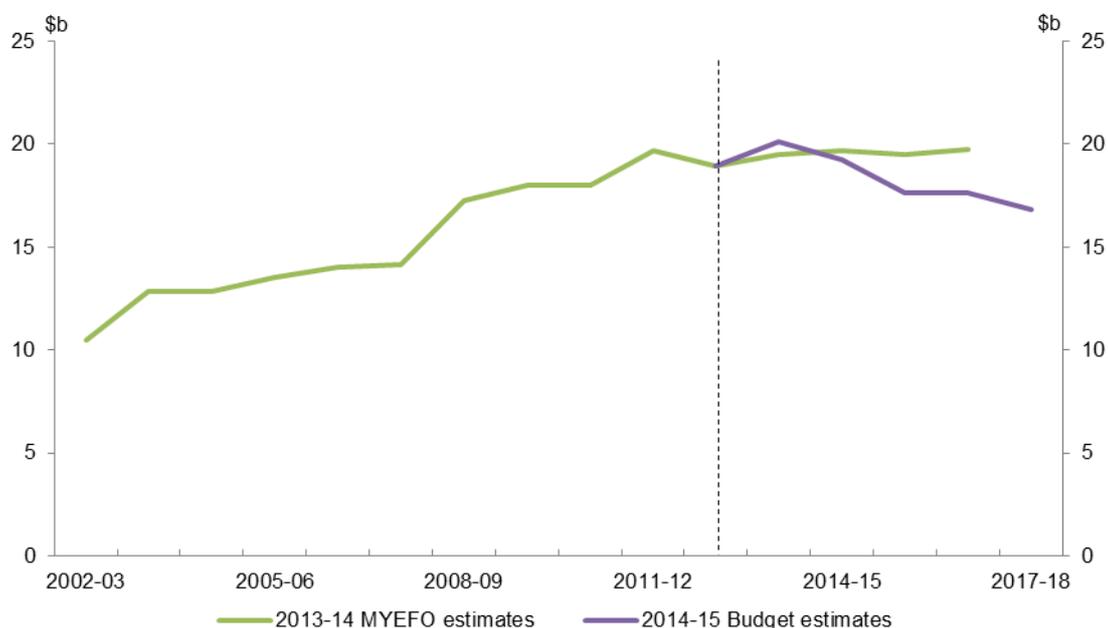
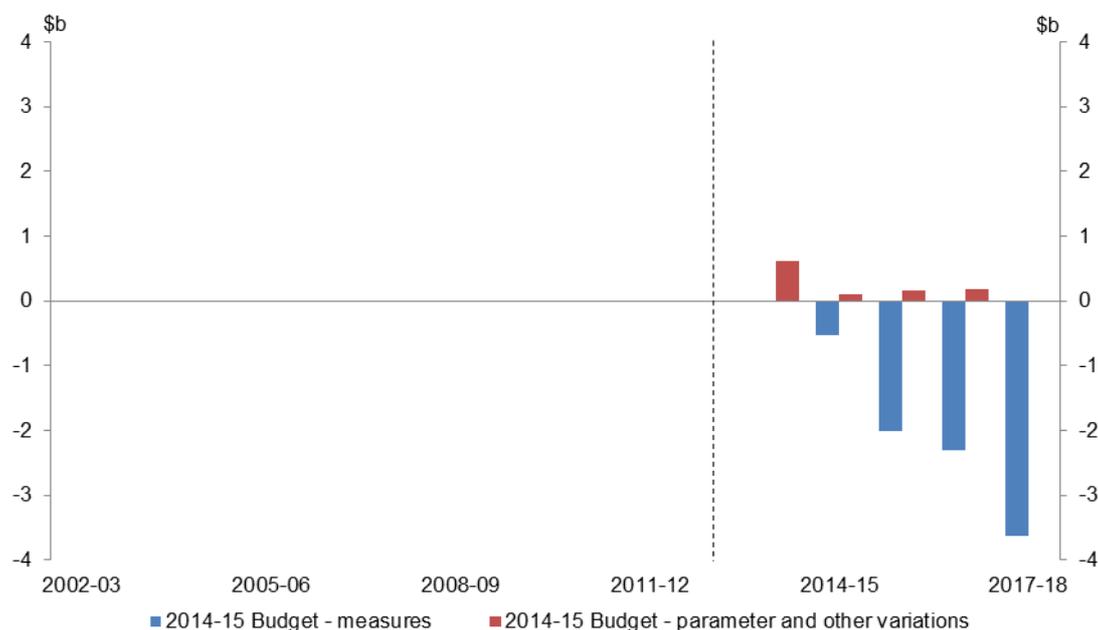


Figure 20: Expenses – Family Tax Benefit - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Policy decisions in the 2014-15 Budget, relative to the 2013-14 MYEFO, are expected to decrease spending on Family Tax Benefit (FTB), by \$8.5 billion over five years to 2017-18. These include: pausing the indexation of FTB rates and revising the value of FTB supplements; reducing the FTB Part B primary earner income limit to \$100,000 and limiting FTB Part B to families with children under six years of age.
- The parameter and other variations in 2013-14 are primarily due to the delay in the passage of legislation to abolish the SchoolKids Bonus.

Expenses – Disability Support Pension

Figure 21: Expenses – Disability Support Pension - change from 2013-14 MYEFO to 2014-15 Budget estimates

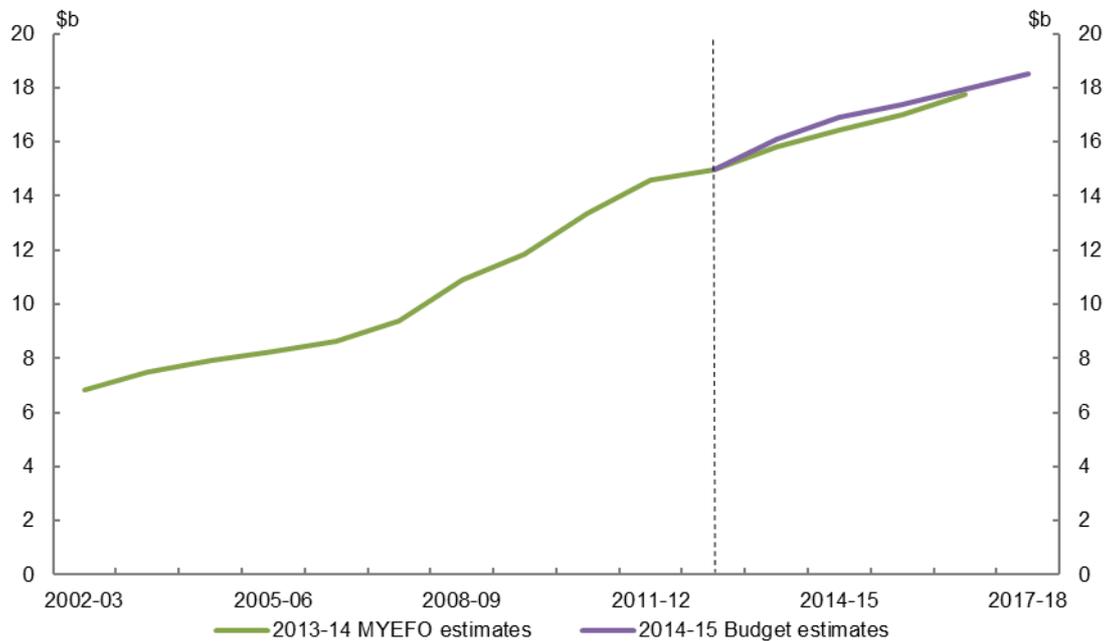
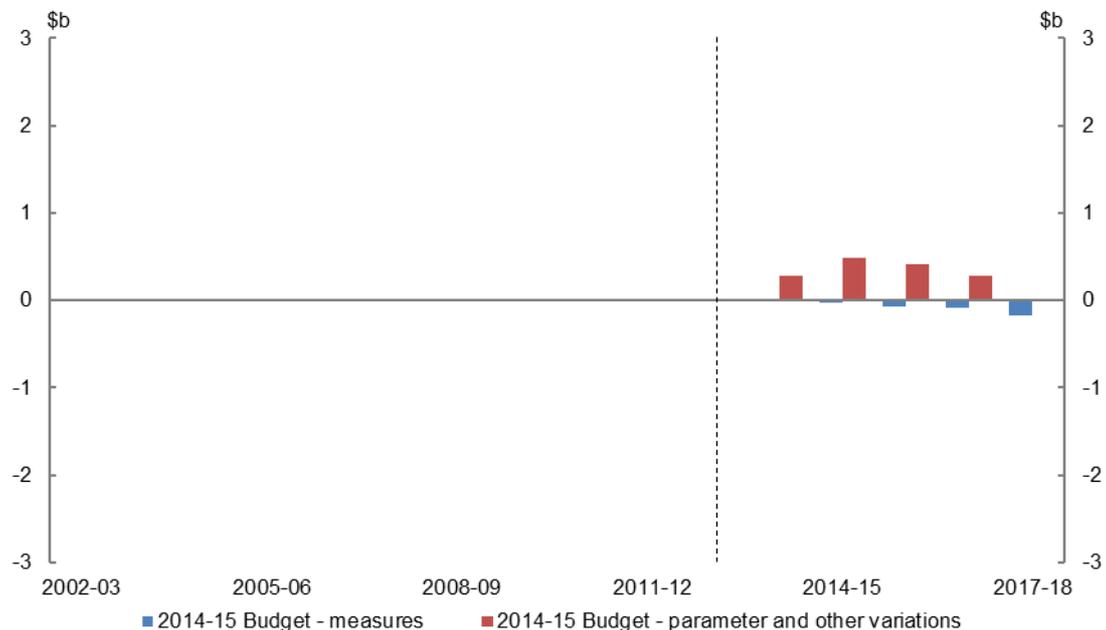


Figure 22: Expenses – Disability Support Pension - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- The increase in estimated expenses relative to the 2013-14 MYEFO for the Disability Support Pension (DSP) in the 2014-15 Budget largely reflects higher expected average rates for these payments and marginally higher expected recipient numbers.
- Policy decisions are expected to decrease spending on the DSP, relative to the 2013-14 MYEFO, by \$0.4 billion over the five years to 2017-18, including the decision to review the eligibility of DSP recipients aged under 35.

Expenses – job seeker income support

Figure 23: Expenses – job seeker income support - change from 2013-14 MYEFO to 2014-15 Budget estimates

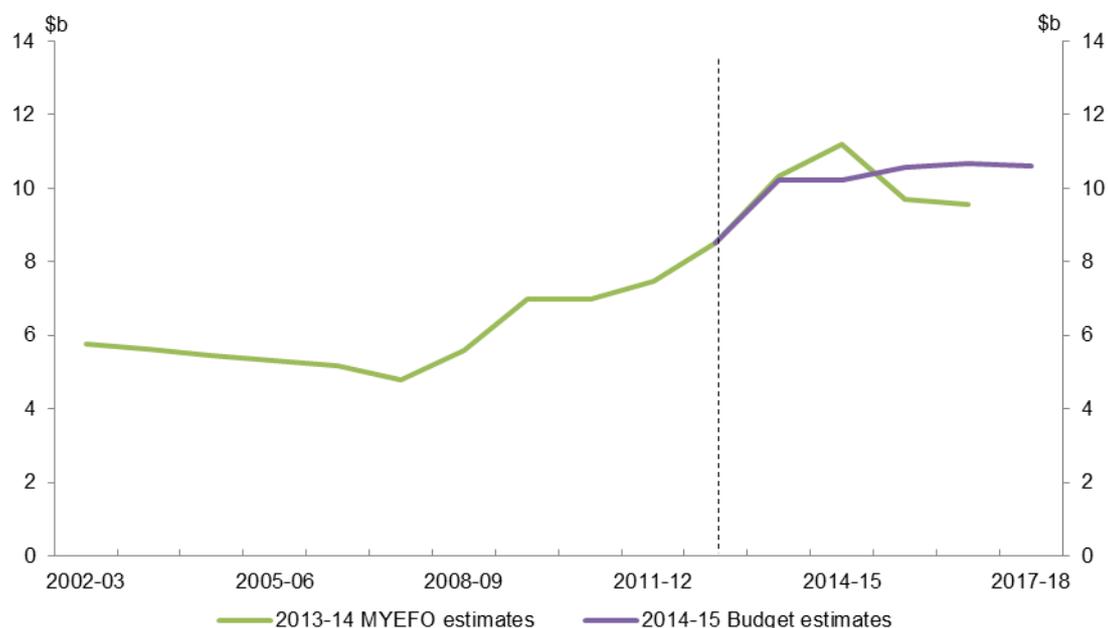


Figure 24: Expenses – job seeker income support - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Policy decisions are expected to decrease spending on job seeker income support relative to the 2013-14 MYEFO by \$3.2 billion over the four years to 2017-18. These include the decisions to restrict the availability of Newstart Allowance and Youth Allowance (Other) for people under 30 and to increase the age of eligibility for Newstart Allowance. Parameter and other variations are expected to increase expenses by \$3.2 billion over the four years to 2016-17, relative to the 2013-14 MYEFO.

Expenses – aged care

Figure 25: Expenses – aged care - change from 2013-14 MYEFO to 2014-15 Budget estimates

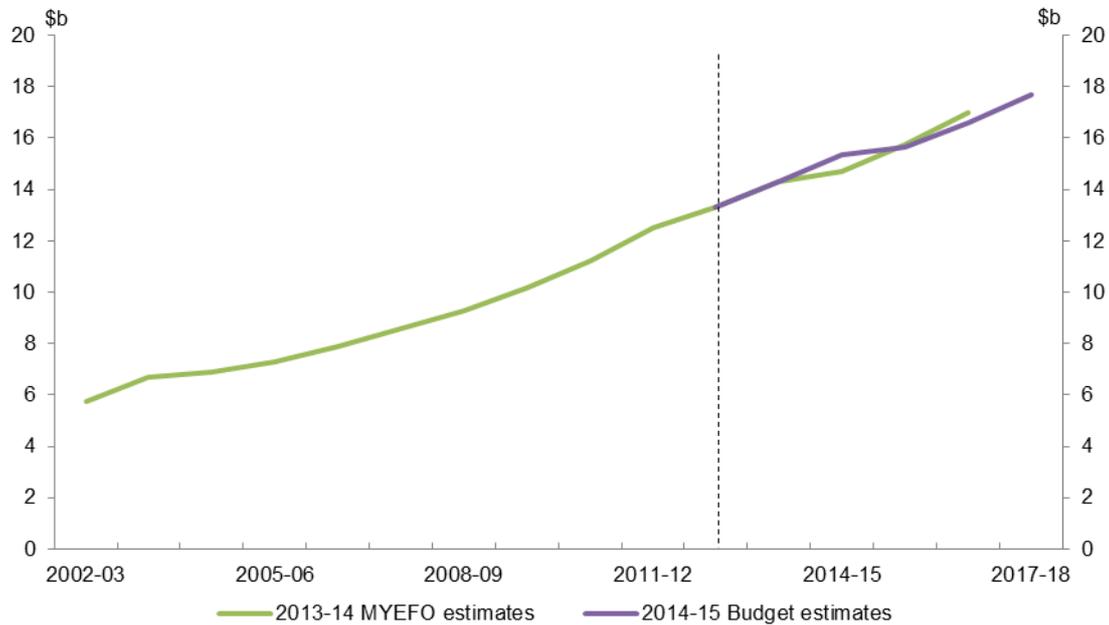
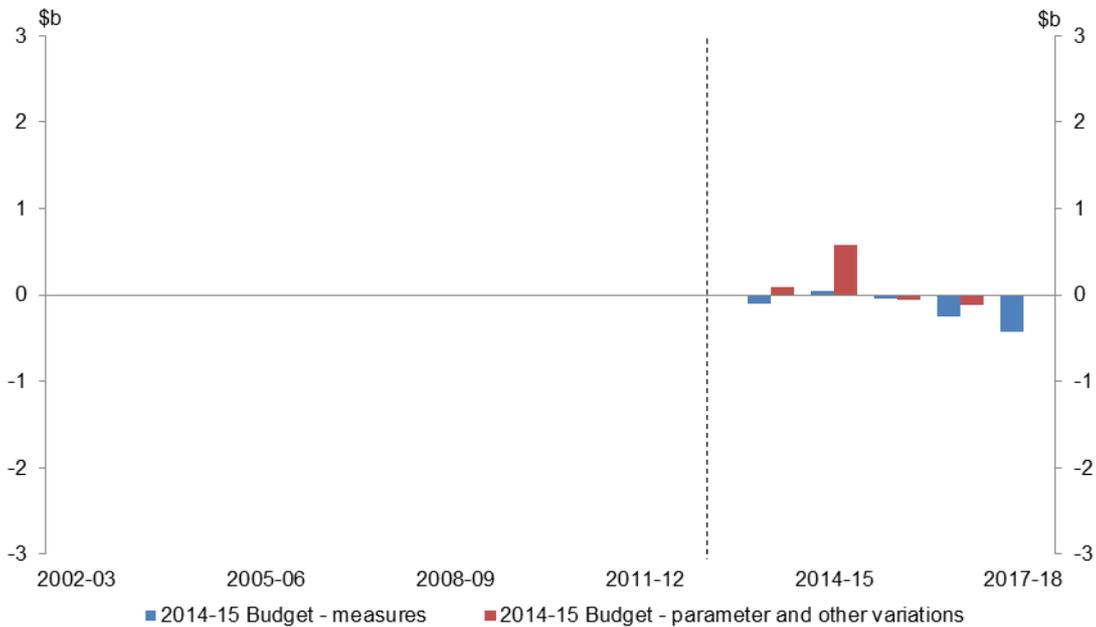


Figure 26: Expenses – aged care - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, policy decisions are expected to decrease aged care expenses by \$0.8 billion over the five years to 2017-18, largely due to the decision to cease the Payroll Tax Supplement payments to residential aged care providers.
- The increase in parameter and other variations in aged care expenses in 2014-15 reflects the provision made in the 2013-14 MYEFO for the National Partnership payment for Home and Community Care, and its subsequent publication in the 2014-15 Budget (\$586 million).

Expenses – income support for carers

Figure 27: Expenses – income support for carers - change from 2013-14 MYEFO to 2014-15 Budget estimates

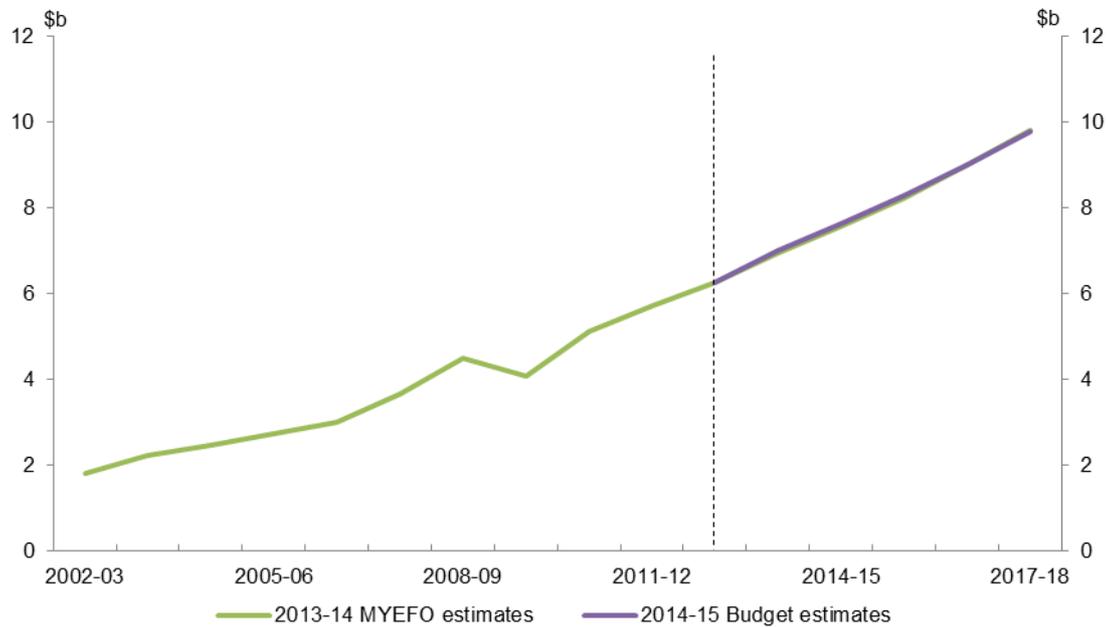
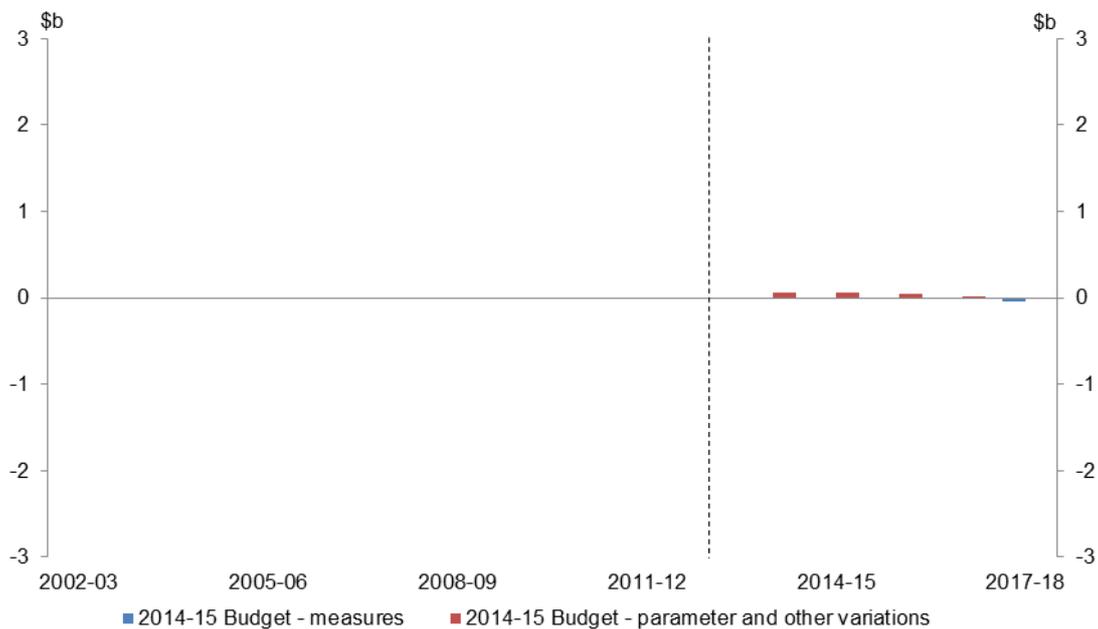


Figure 28: Expenses – income support for carers - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



Expenses – child care fee assistance

Figure 29: Expenses – child care fee assistance - change from 2013-14 MYEFO to 2014-15 Budget estimates

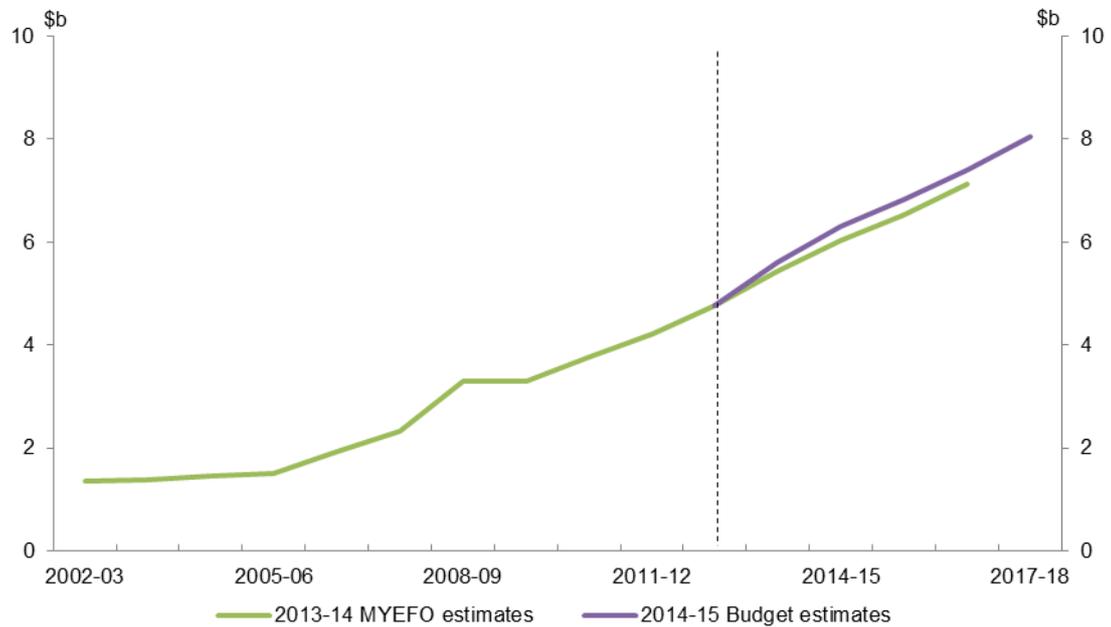
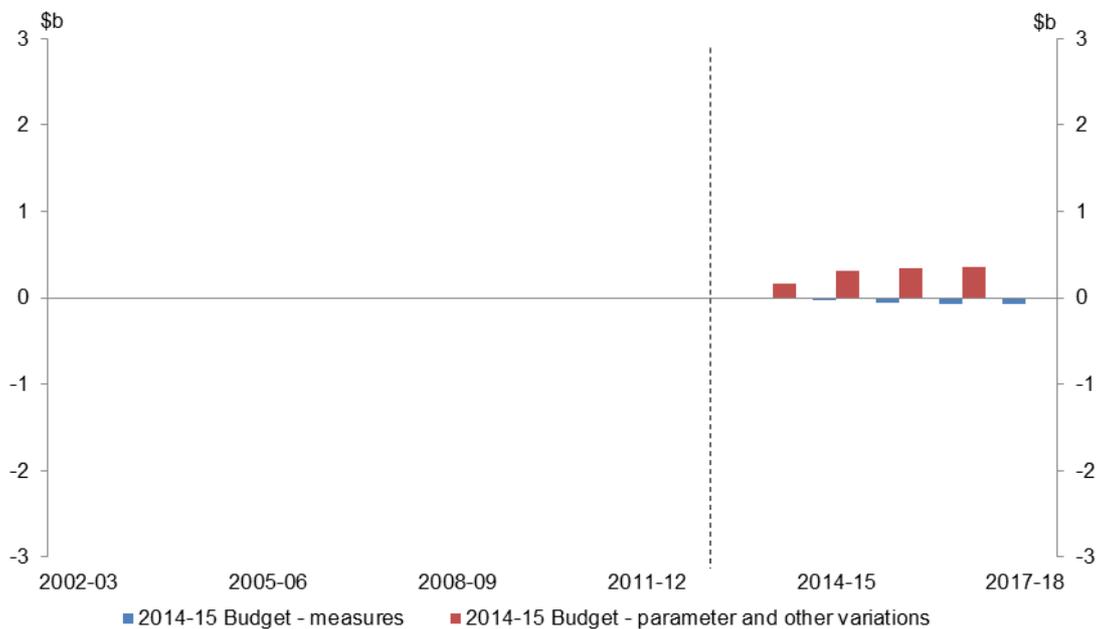


Figure 30: Expenses – child care fee assistance - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, parameter and other variations are expected to increase spending on child care fee assistance by \$1.2 billion over the four years to 2016-17. This largely reflects higher expected utilisation of child care services.
- Policy decisions are expected to decrease spending, relative to the 2013-14 MYEFO, on child care fee assistance by \$0.2 billion over the five years to 2017-18, including the decision to maintain eligibility thresholds for three years from 1 July 2014 for the Child Care Benefit and the Child Care Rebate.

Expenses – parents’ income support

Figure 31: Expenses – parents’ income support - change from 2013-14 MYEFO to 2014-15 Budget estimates

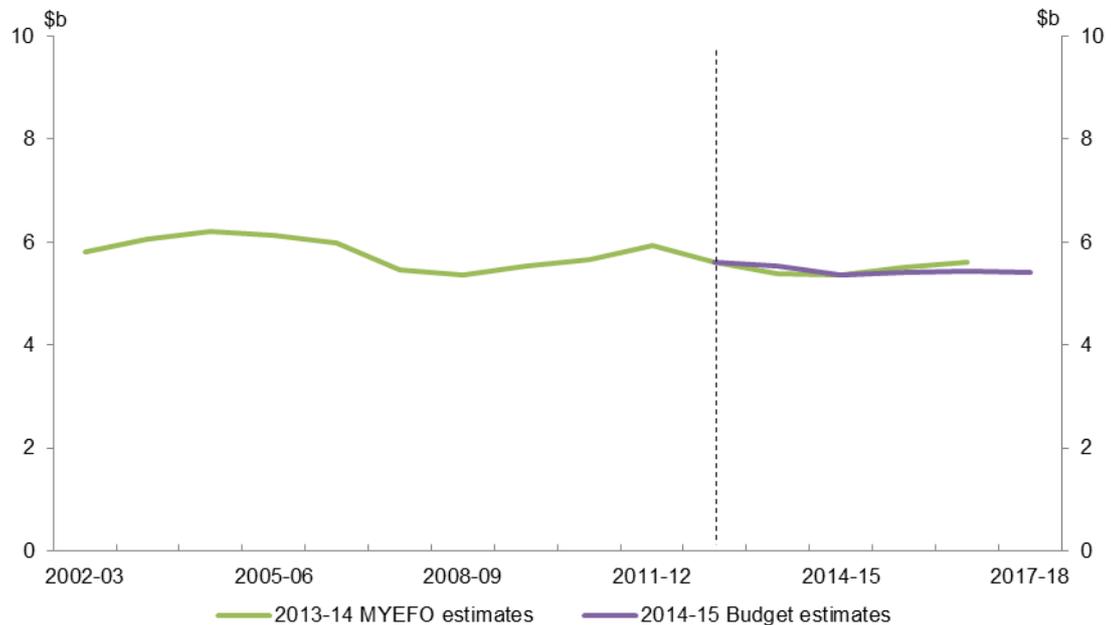
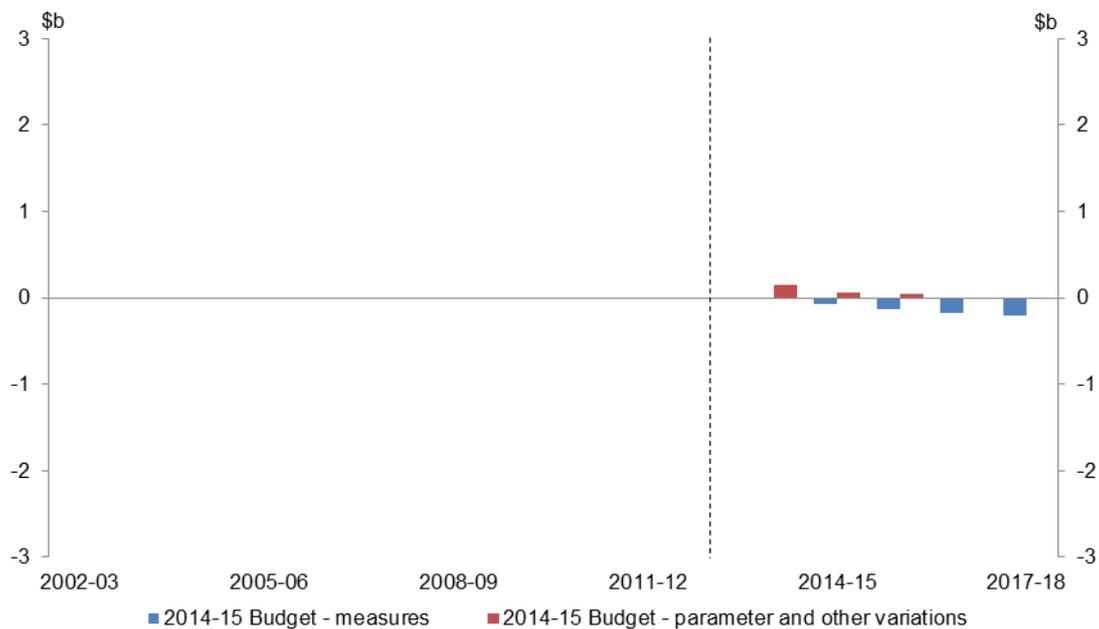


Figure 32: Expenses – parents’ income support - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Policy decisions in the 2014-15 Budget are expected to decrease spending on parents’ income support relative to the 2013-14 MYEFO, by \$0.6 billion over the four years to 2017-18. These include:
 - a three year pause in eligibility thresholds from 1 July 2014, and
 - the indexation of Parenting Payment Single by the CPI from 1 July 2014.

Expenses – National Disability Insurance Scheme

Figure 33: Expenses – National Disability Insurance Scheme - change from 2013-14 MYEFO to 2014-15 Budget estimates

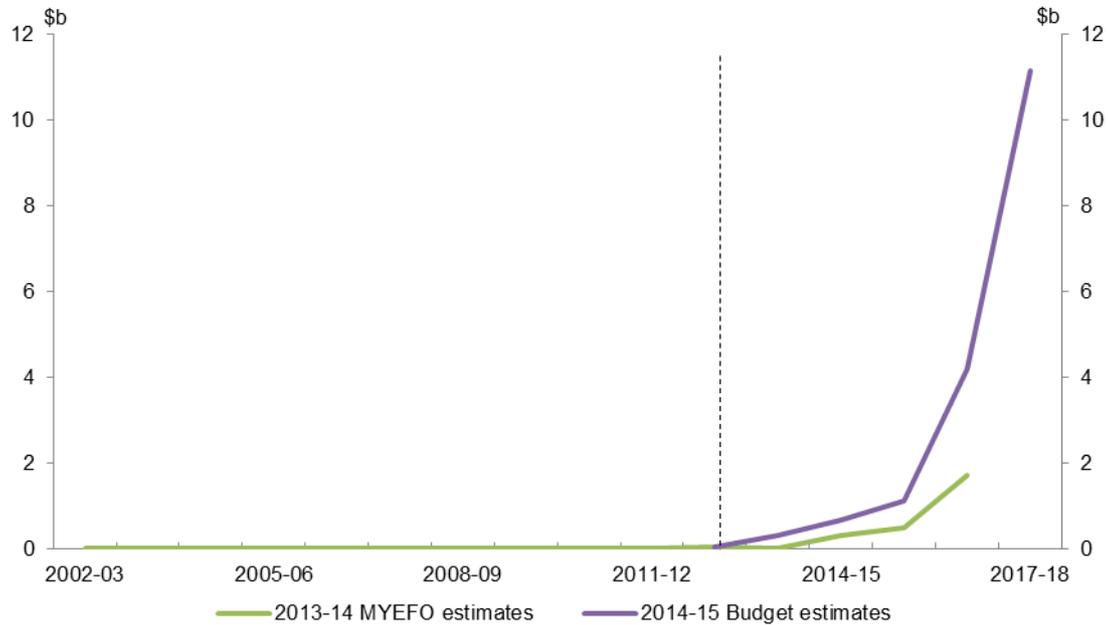
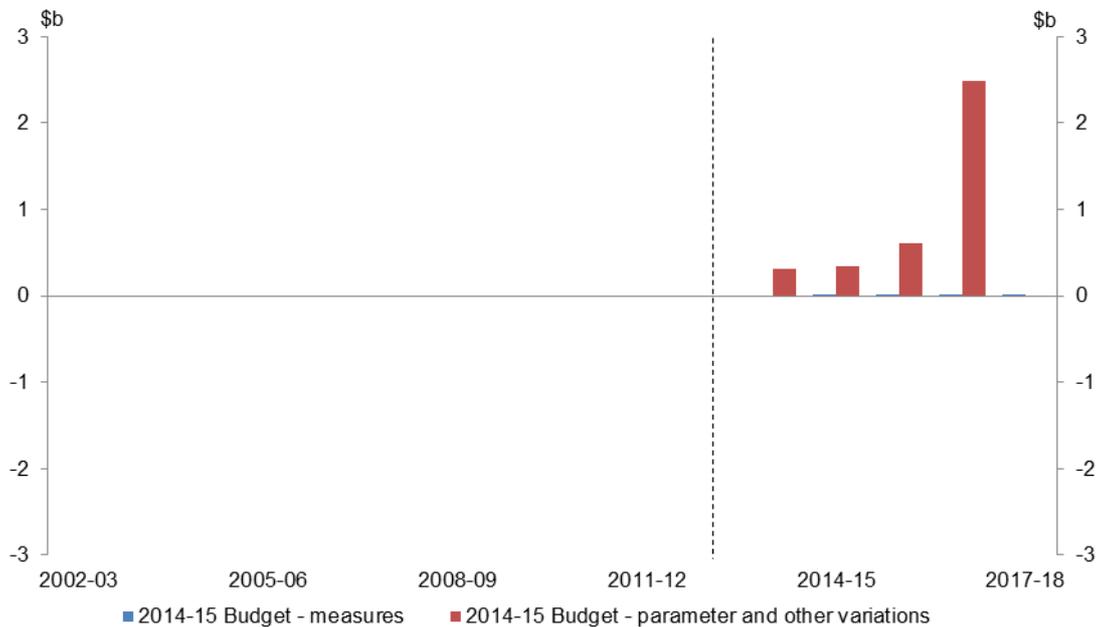


Figure 34: Expenses – National Disability Insurance Scheme - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, parameter and other variations are expected to increase National Disability Insurance Scheme (NDIS) expenses by \$3.8 billion over the four years to 2016-17, largely reflecting the recognition of payments made on behalf of the states and territories for the first time. The impact on the budget balance of payments made on behalf of the states and territories is offset by an increase in non-tax revenue recognising state and territory contributions to the scheme, as shown in Figures 15 and 16 on page 8.

Expenses – Medicare Benefits Schedule

Figure 35: Expenses – Medicare Benefits Schedule - change from 2013-14 MYEFO to 2014-15 Budget estimates

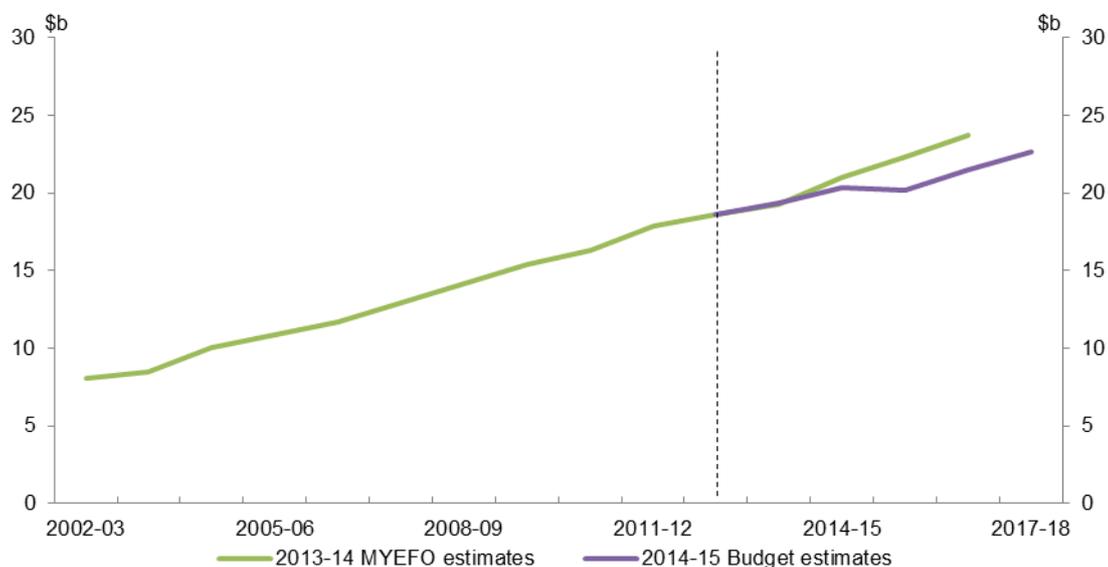
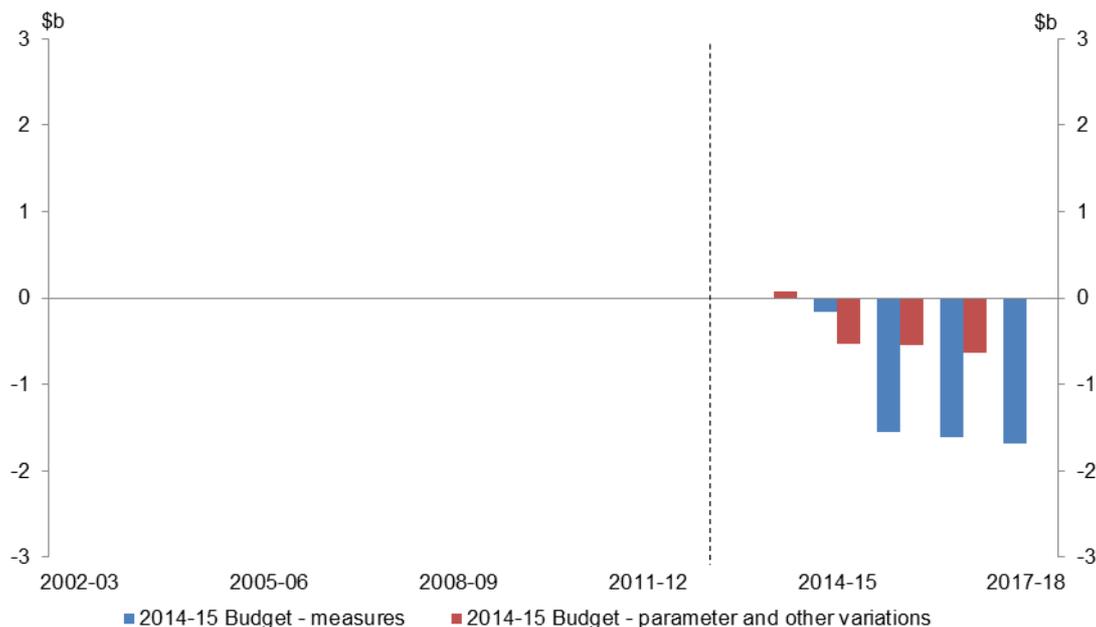


Figure 36: Expenses – Medicare Benefits Schedule - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, policy decisions are expected to decrease Medicare Benefits Schedule (MBS) expenses by \$5.0 billion over the four years to 2017-18. The decision to introduce a patient contribution of \$7 for standard general practitioner consultations and other services, with a \$5 reduction of MBS rebates for those services accounts for \$3.6 billion of the policy decisions total. Relative to the 2013-14 MYEFO, the decision to pause the indexation of some MBS fees for two years from 1 July 2014 also decreases MBS spending. Parameter and other variations are expected to decrease MBS spending, relative to the 2013-14 MYEFO, by \$1.6 billion over the four years to 2016-17.

Expenses – assistance to the states and territories for public hospitals

Figure 37: Expenses – assistance to the states and territories for public hospitals - change from old spending arrangements to 2014-15 Budget estimates (as published on p.7 of Budget Overview)

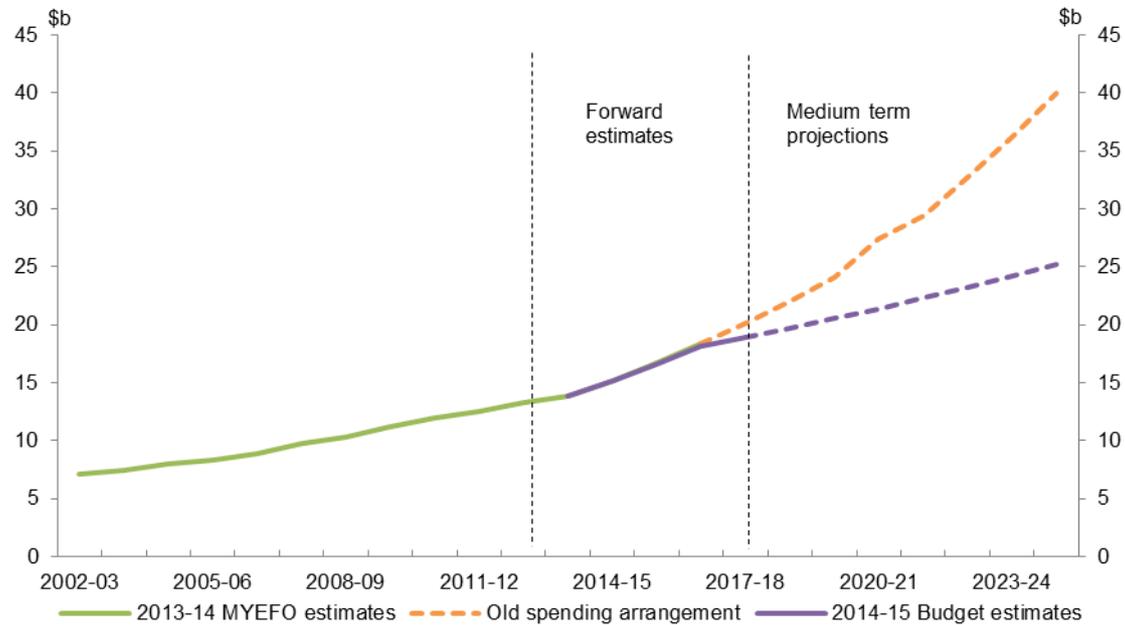
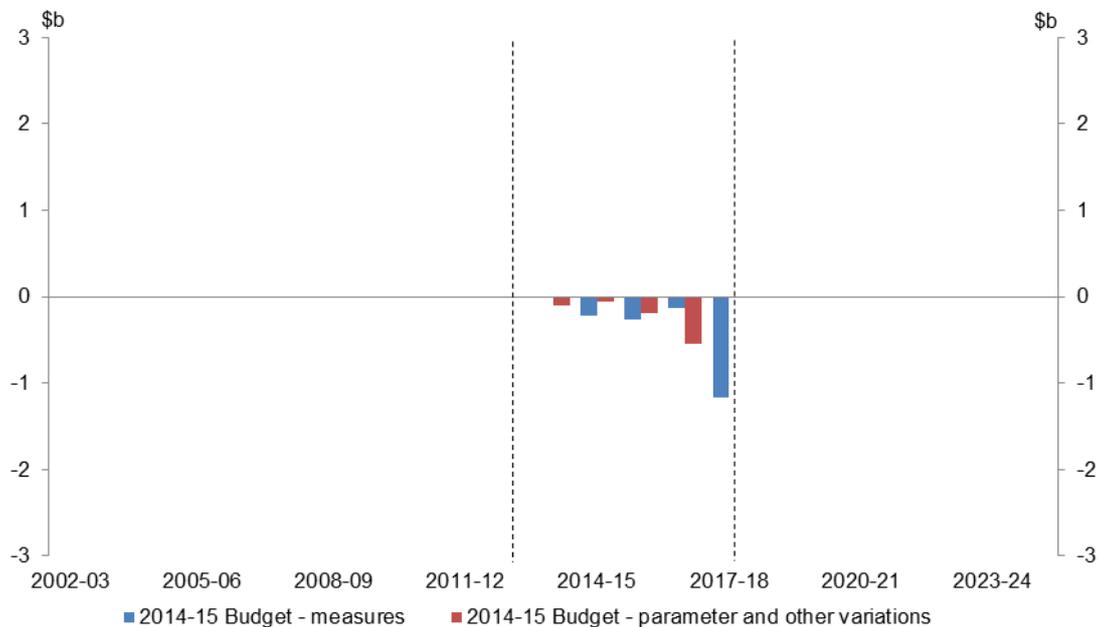


Figure 38: Expenses – assistance to the states and territories for public hospitals - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- The policy decision to cease funding guarantees under the National Health Reform Agreement 2011 and index Commonwealth contributions by the CPI and population growth from 2017-18 is expected to reduce the growth in spending on assistance to the states and territories for public hospitals. The changed funding arrangements for public hospitals are expected to achieve cumulative savings in excess of \$50 billion by 2024-25.

Expenses – pharmaceutical benefits

Figure 39: Expenses – pharmaceutical benefits - change from 2013-14 MYEFO to 2014-15 Budget estimates

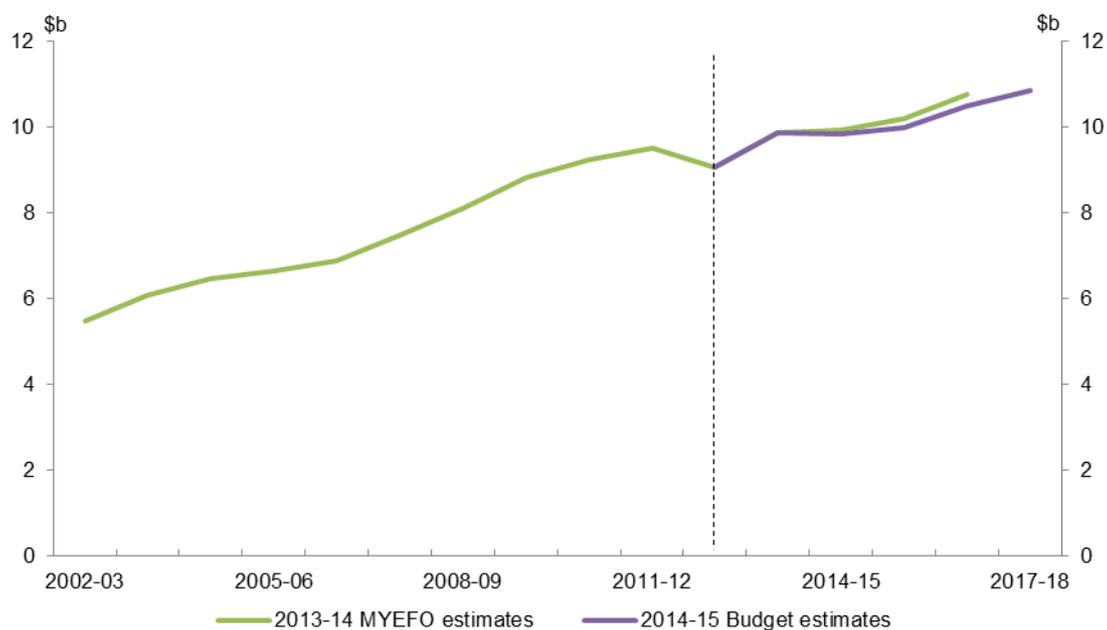
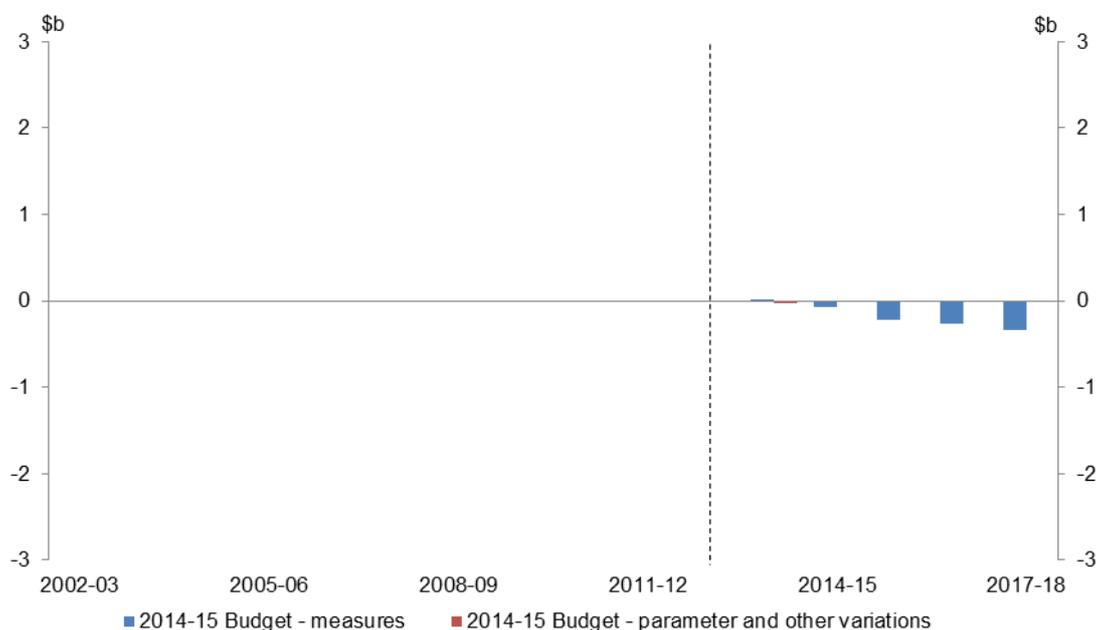


Figure 40: Expenses – pharmaceutical benefits - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Policy decisions are expected to decrease pharmaceutical benefits expenses (including the Pharmaceutical Benefits Scheme and the Repatriation Pharmaceutical Benefits Scheme) by \$0.9 billion over the five years to 2017-18 relative to the 2013-14 MYEFO, largely due to the decision to increase co-payments and safety net thresholds.

Expenses – private health insurance rebate

Figure 41: Expenses – private health insurance rebate - change from 2013-14 MYEFO to 2014-15 Budget estimates

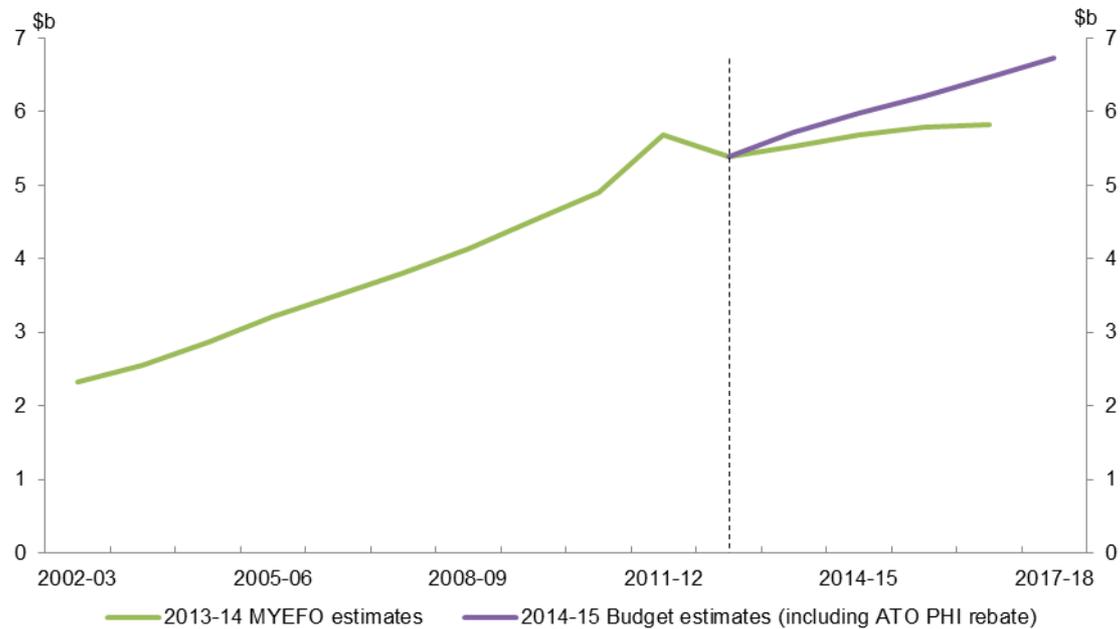
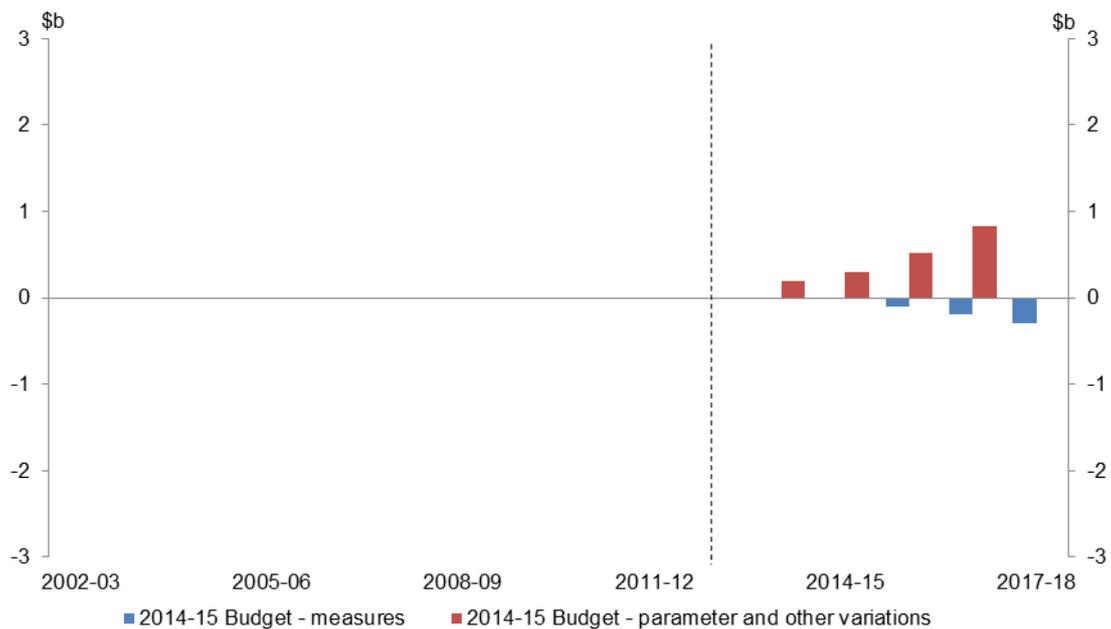


Figure 42: Expenses – private health insurance rebate - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, parameter and other variations are expected to increase spending on the private health insurance (PHI) rebate by \$1.8 billion over the four years to 2016-17. This is largely a result of stronger expected growth in the number of people with PHI cover and more people upgrading their level of PHI. The measure to pause the indexation of income thresholds for PHI rebates for three years from 2015-16 reduces PHI rebates by \$0.6 billion over three years to 2017-18 relative to the 2013-14 MYEFO.

Expenses – schools

Figure 43: Expenses – schools - change from old spending arrangements to 2014-15 Budget estimates (as published on p.7 of Budget Overview)

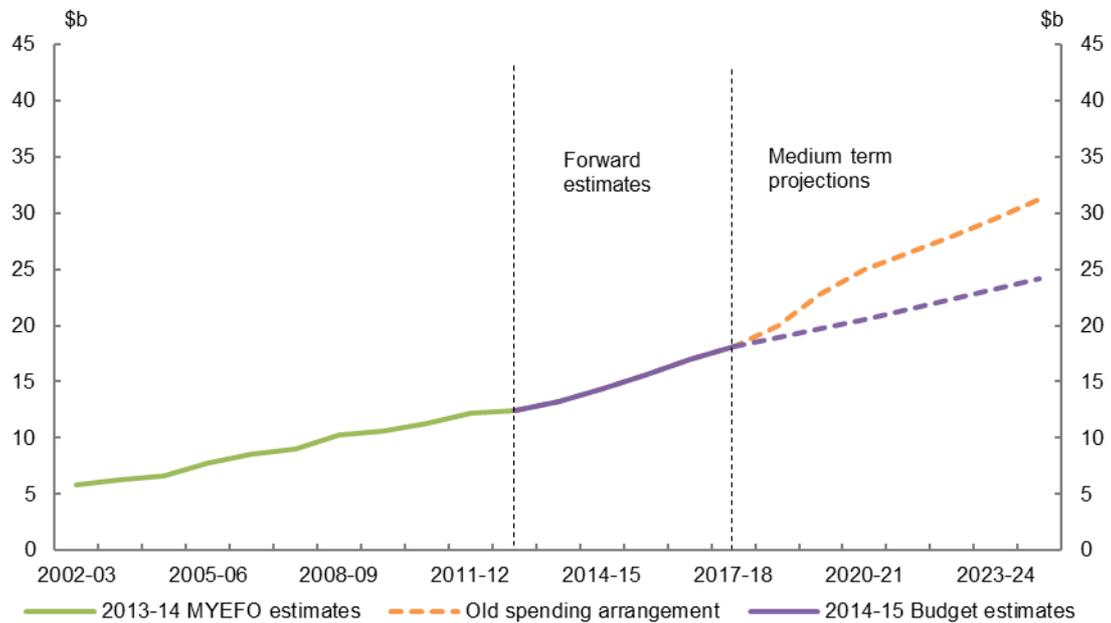
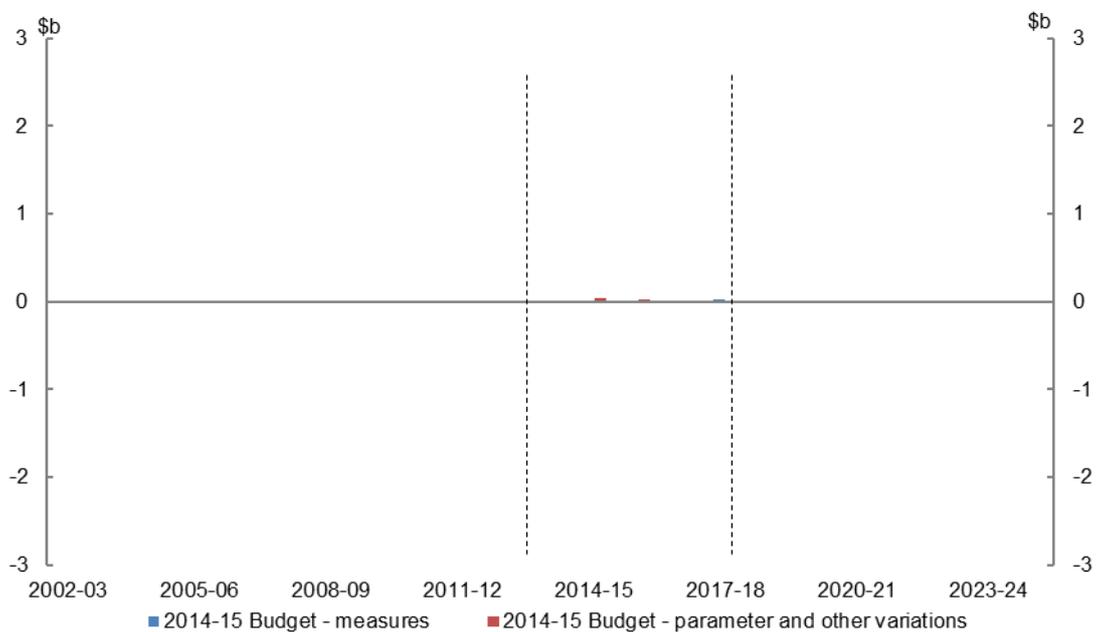


Figure 44: Expenses – schools - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- The decision to index Commonwealth school funding by the CPI, with an allowance for changes in enrolments, is expected to reduce the growth in spending on schools over the medium term. The changed funding arrangements for schools are expected to achieve cumulative savings approaching \$30 billion by 2024-25.

Expenses – higher education

Figure 45: Expenses – higher education - change from 2013-14 MYEFO to 2014-15 Budget estimates

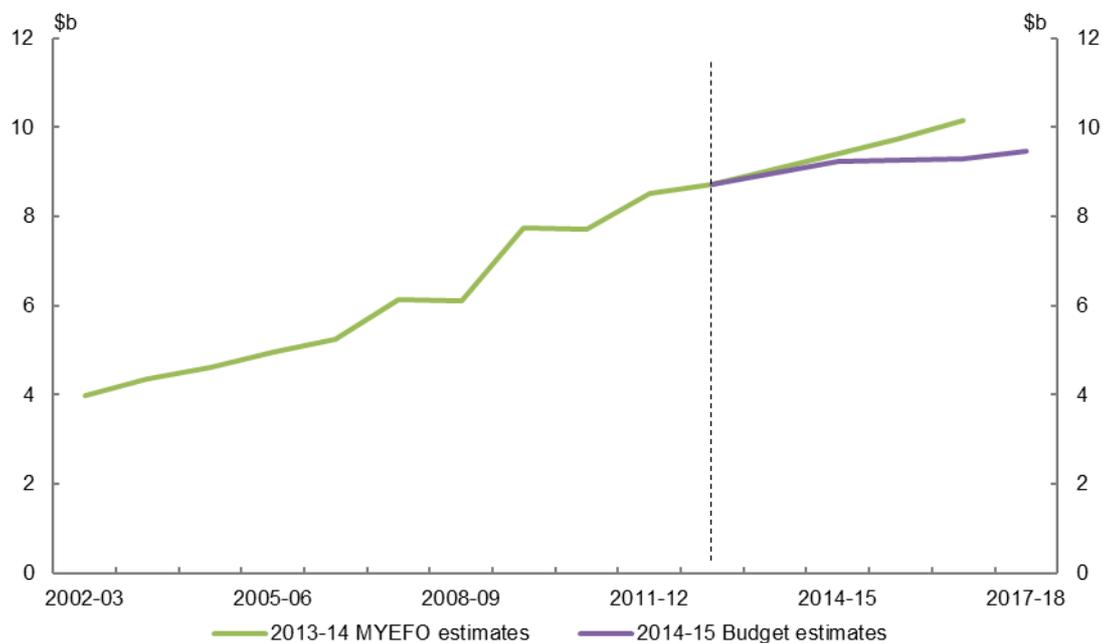
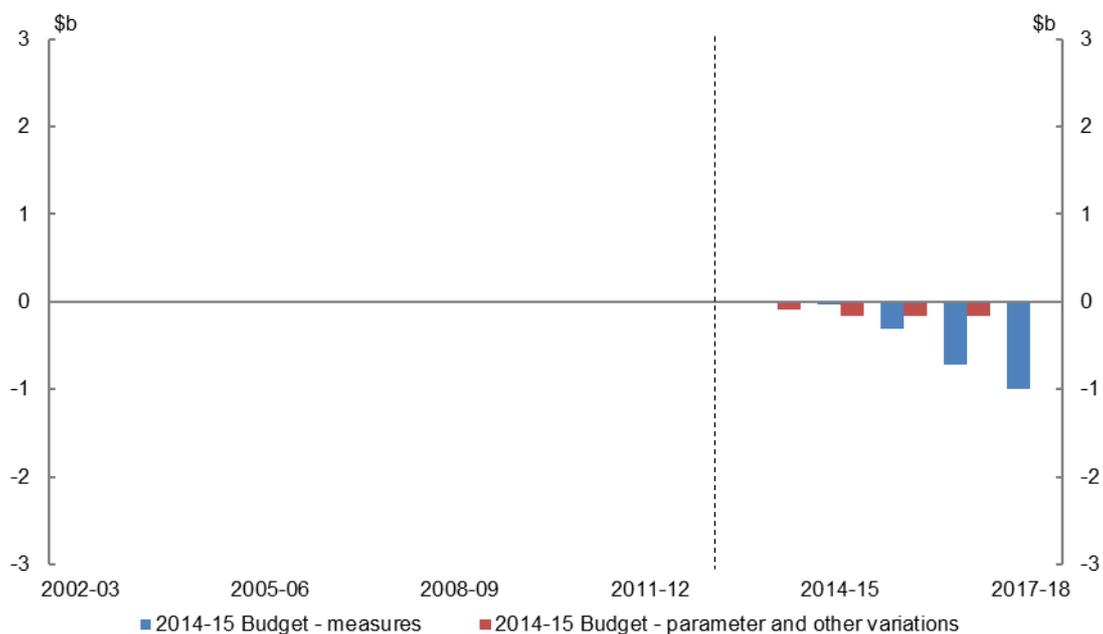


Figure 46: Expenses – higher education - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, policy decisions are expected to decrease higher education spending by \$2.1 billion over the five years to 2017-18. These include measures to reduce subsidies provided under the Commonwealth Grants Scheme, index higher education funding by CPI rather than the Higher Education Grants Index from 1 January 2016, and cease reward funding for higher education institutions.

Defence (expenses and net capital investment)

Figure 47: Defence (expenses and net capital investment) - change from 2013-14 MYEFO to 2014-15 Budget estimates

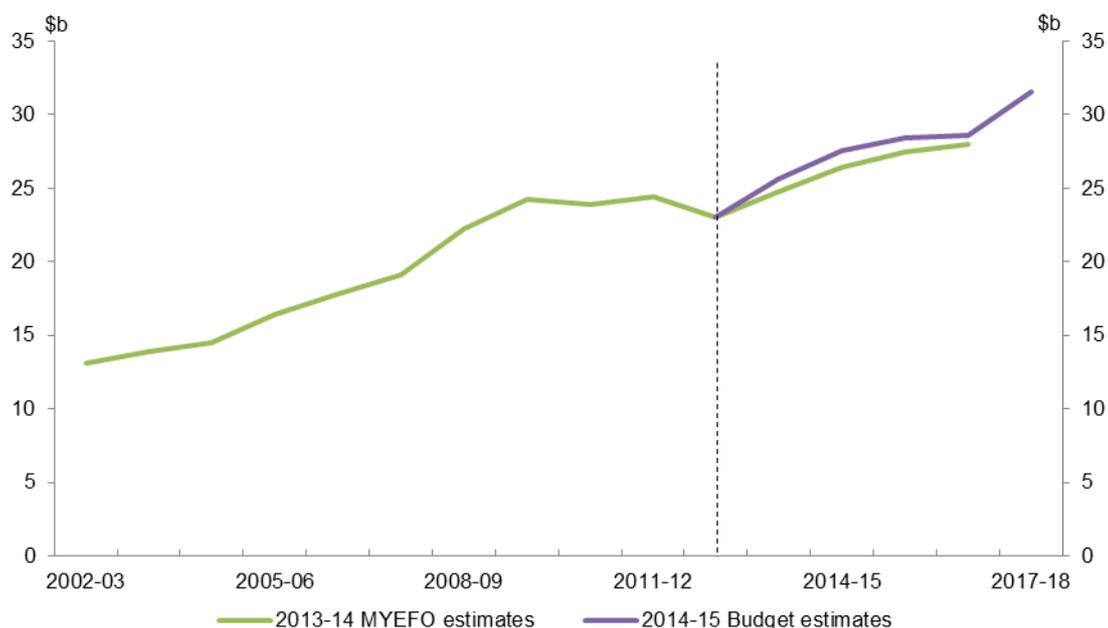
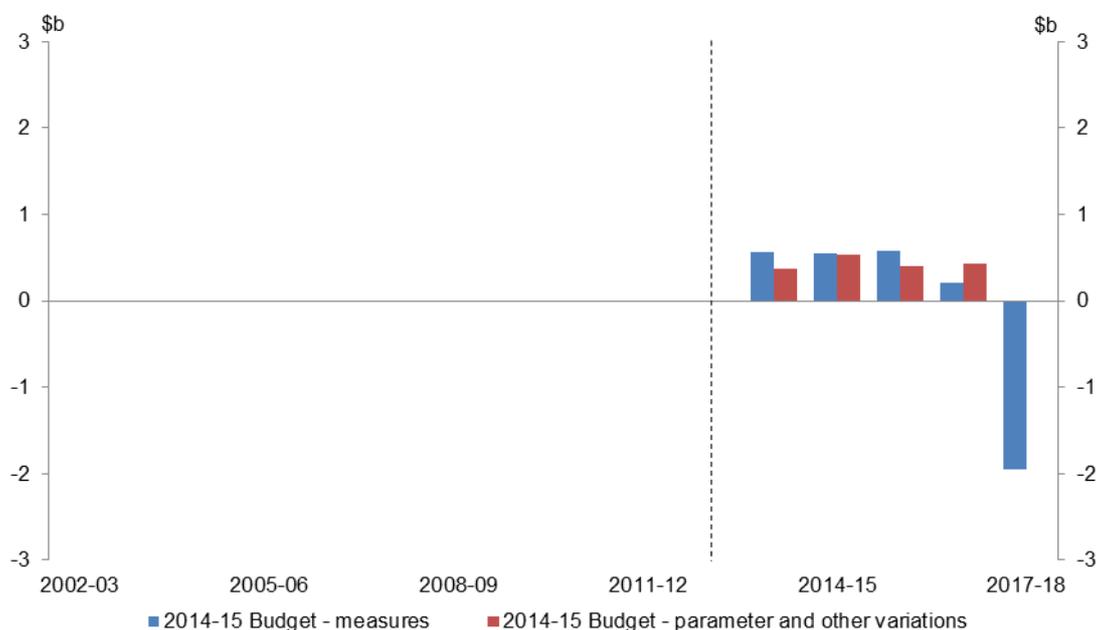


Figure 48: Defence (expenses and net capital investment) - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, the policy decision to bring forward \$1.5 billion of funding from 2017-18, and other measures, are expected to increase defence spending over the four years to 2016-17 by \$1.9 billion.
- Relative to the 2013-14 MYEFO, parameter and other variations are expected to increase defence spending by \$1.7 billion over the four years to 2016-17, including an expected increase in net capital investment spending as a result of foreign exchange rate movements.

Expenses – public debt interest

Figure 49: Expenses – public debt interest - change from 2013-14 MYEFO to 2014-15 Budget estimates

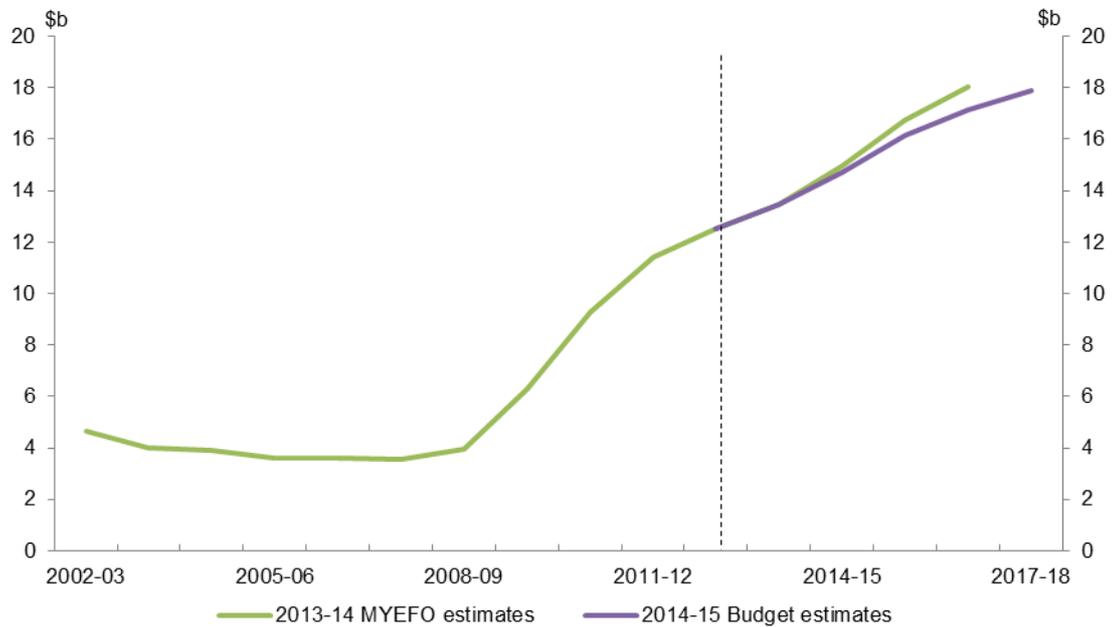
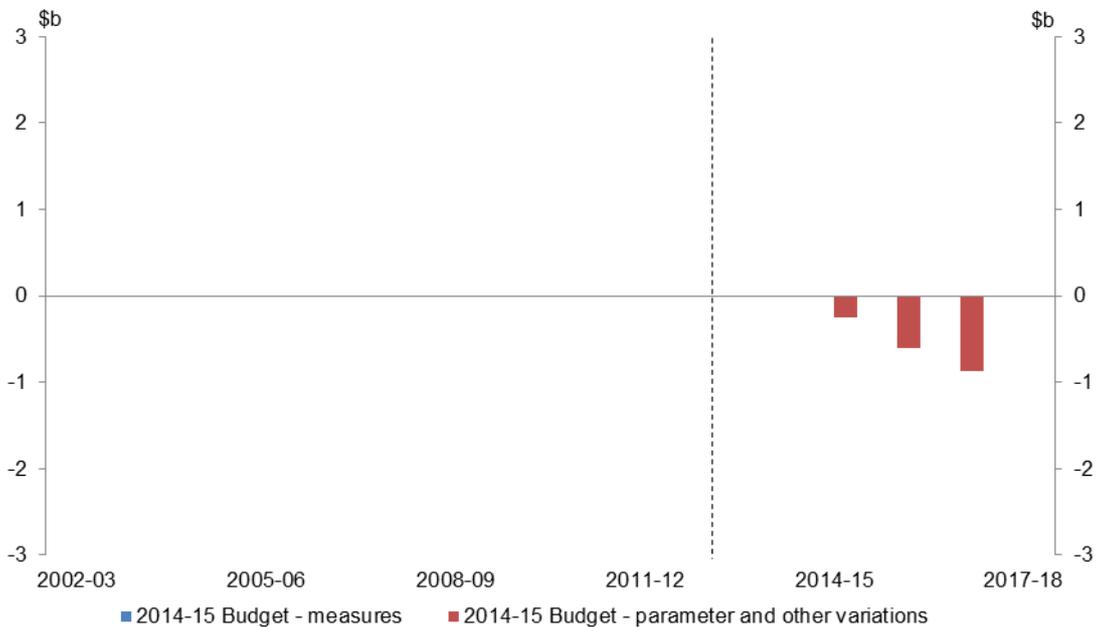


Figure 50: Expenses – public debt interest - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, public debt interest is expected to decrease by \$1.7 billion over the four years to 2016-17 as a result of the expected improvement in the headline cash balance.

Expenses – public sector superannuation

Figure 51: Expenses – public sector superannuation - change from 2013-14 MYEFO to 2014-15 Budget estimates

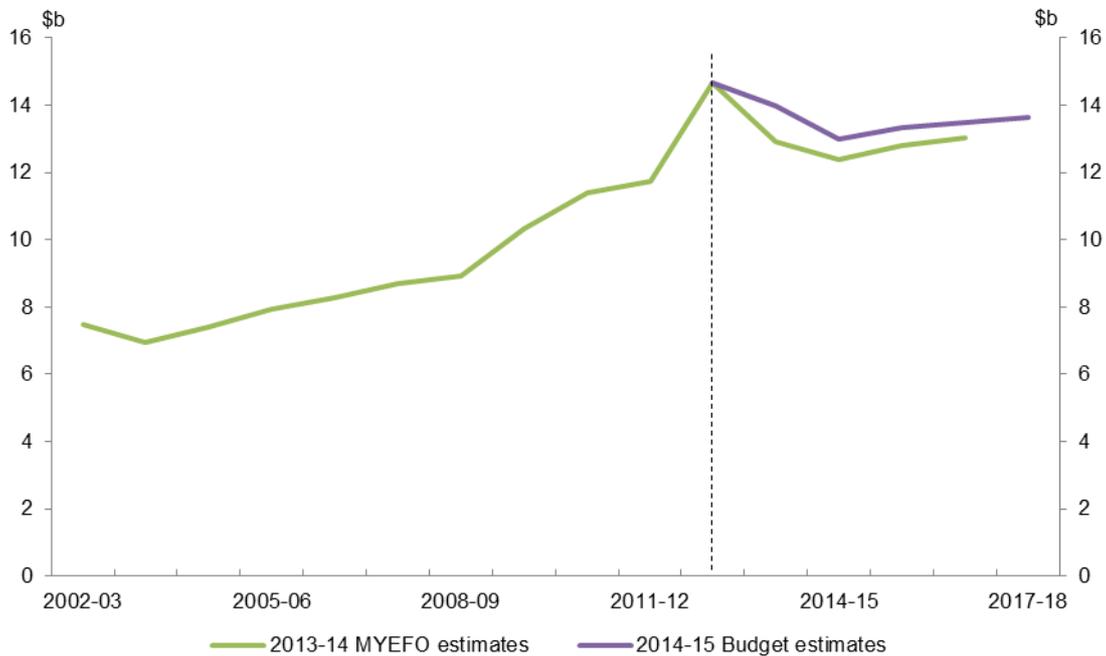
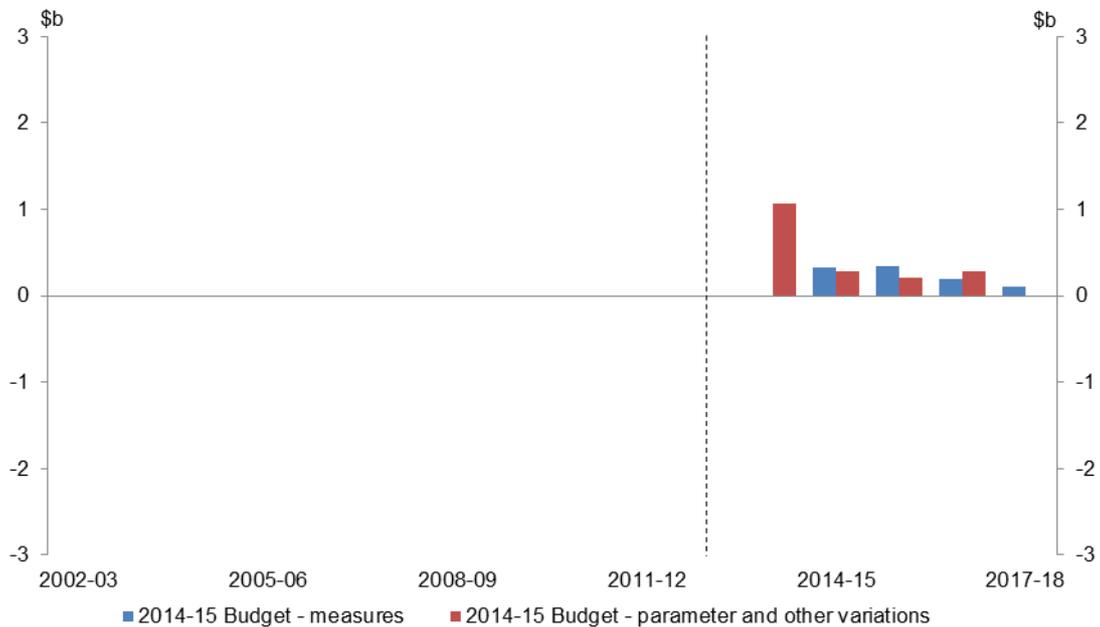


Figure 52: Expenses – public sector superannuation - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Policy decisions are expected to increase public sector superannuation expenditure by \$1.0 billion over the four years to 2017-18, relative to the 2013-14 MYEFO. This increase largely reflects the decision to improve the indexation of payments made under certain Defence Force superannuation schemes. Parameter and other variations in 2013-14 are largely due to the practice of changing discount rates for the revised budget year from an actuarially based rate to the long-term government bond rate.

Expenses – road and rail infrastructure investment

Figure 53: Expenses – road and rail infrastructure investment - change from 2013-14 MYEFO to 2014-15 Budget estimates

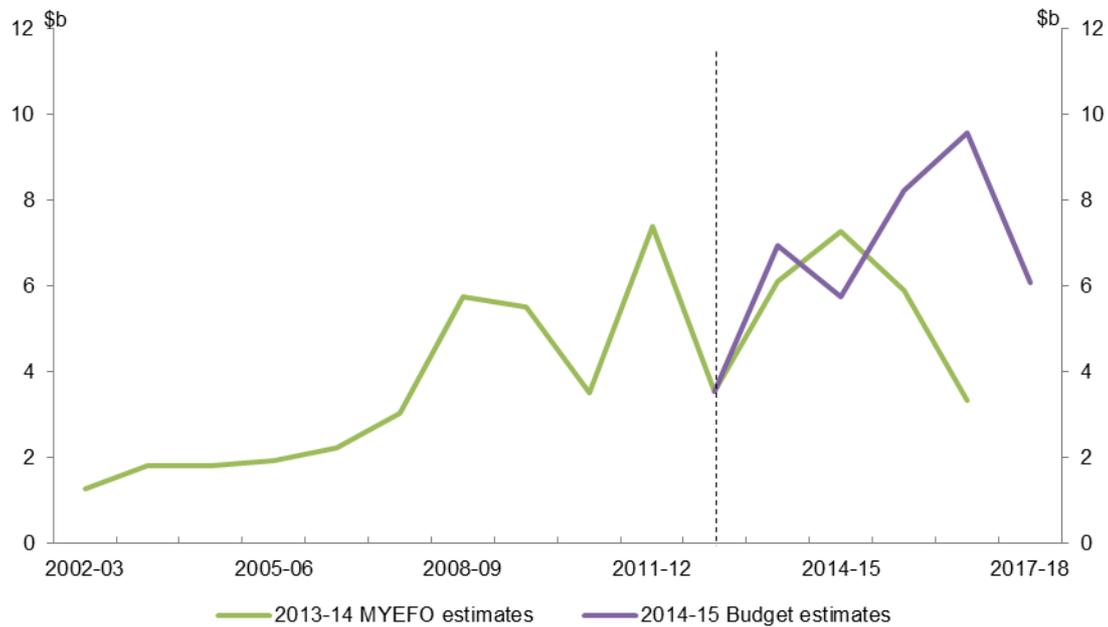
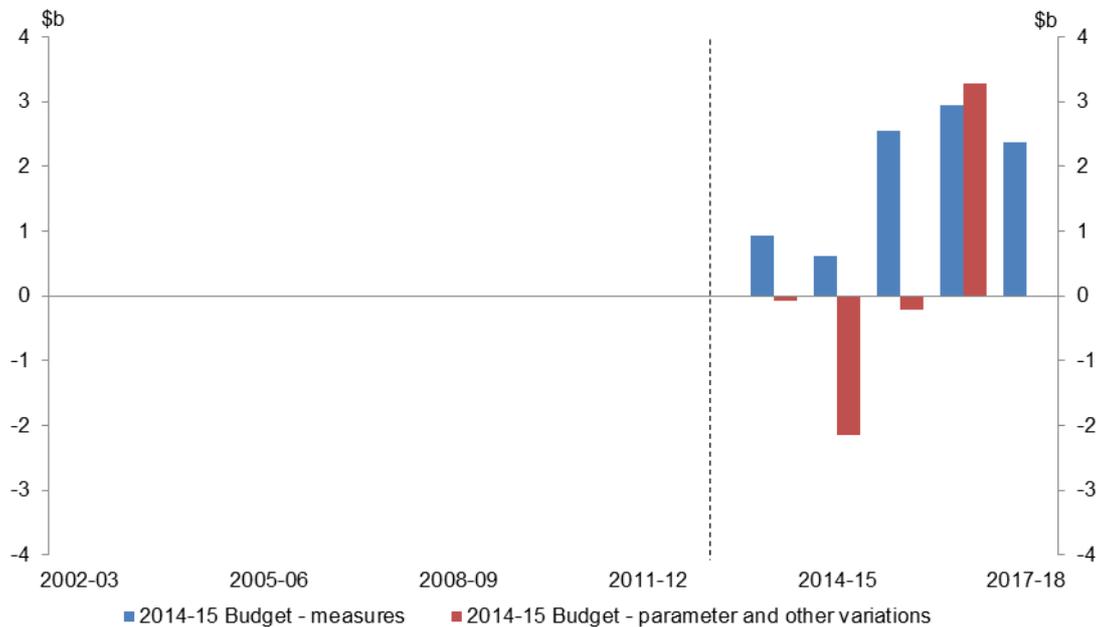


Figure 54: Expenses – road and rail infrastructure investment - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Policy decisions are expected to increase road and rail infrastructure spending by \$9.4 billion over the five years to 2017-18, relative to the 2013-14 MYEFO. These include new infrastructure investments and the establishment of an Asset Recycling Fund to provide incentive payments to the states and territories to privatise state-owned assets and reinvest the proceeds in new infrastructure. The majority of parameter and other variations in the 2014-15 Budget relate to the reprofiling of forecast spending.

Expenses – Fuel Tax Credits

Figure 55: Expenses – Fuel Tax Credits - change from 2013-14 MYEFO to 2014-15 Budget estimates

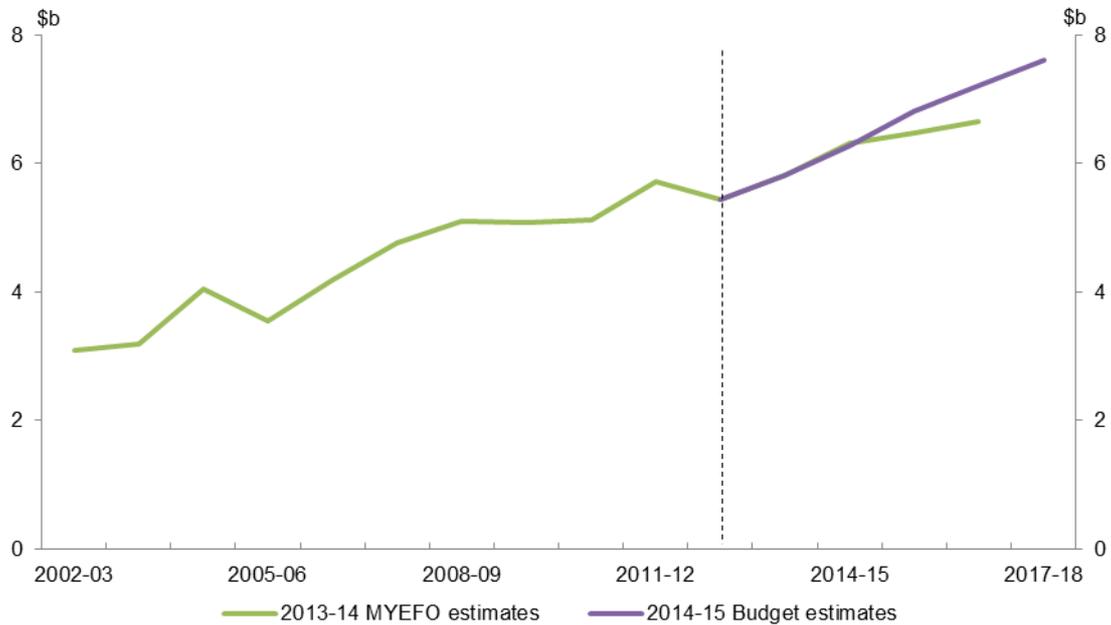
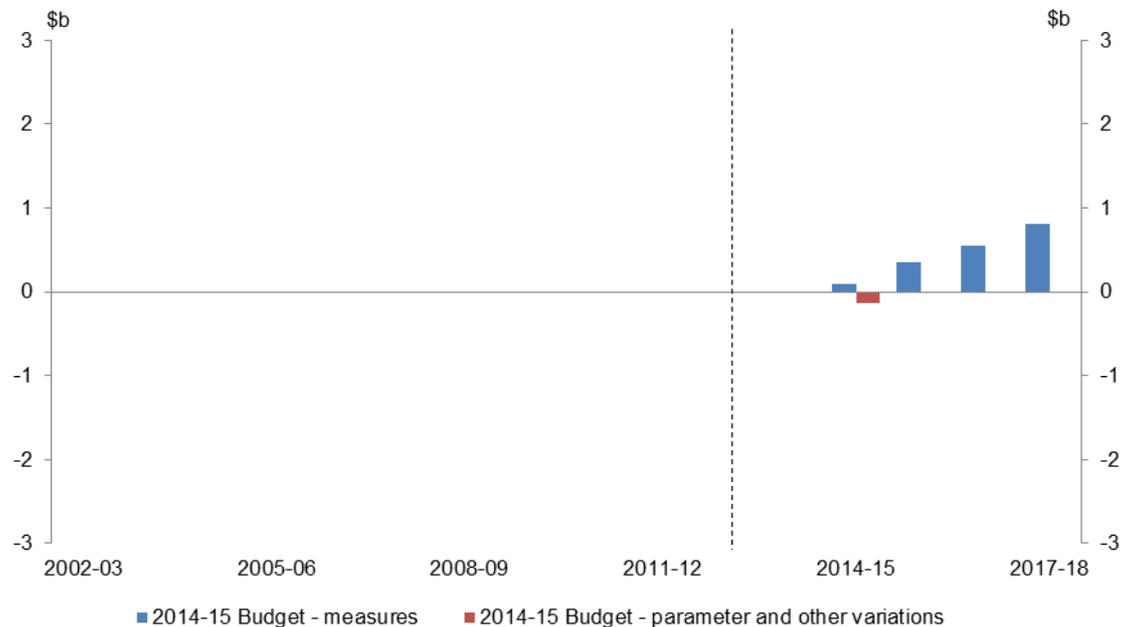


Figure 56: Expenses – Fuel Tax Credits - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, policy decisions are expected to increase Fuel Tax Credits expenditure by \$1.8 billion over the four years to 2017-18, largely due to the decision to reintroduce indexation of fuel excise. This decision results in increased credits for the additional fuel tax paid on fuel used in certain business activities.

Expenses – Official Development Assistance

Figure 57: Expenses – Official Development Assistance - change from 2013-14 MYEFO to 2014-15 Budget estimates

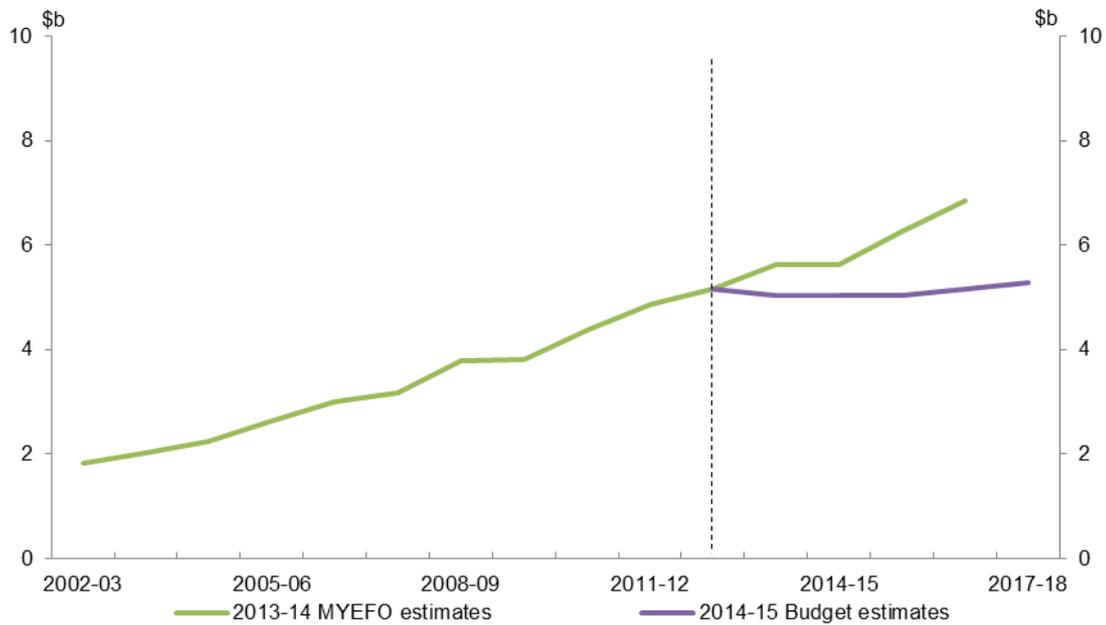
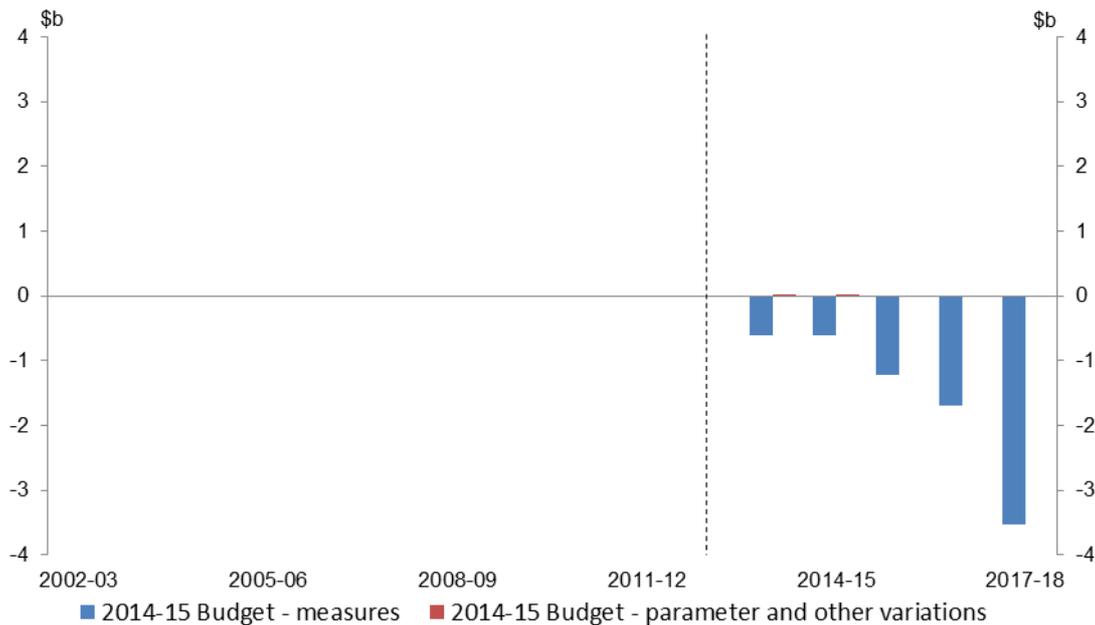


Figure 58: Expenses – Official Development Assistance - change from 2013-14 MYEFO to 2014-15 Budget estimates by measures and other variations



- Relative to the 2013-14 MYEFO, policy decisions are expected to decrease expenditure on Official Development Assistance (ODA) by \$7.6 billion over the five years to 2017-18, reflecting the election commitment to grow ODA funding in line with inflation, along with the decision to maintain ODA funding at its nominal 2013-14 level in 2014-15 and 2015-16, before indexation by CPI from 2016-17.