

Australian Federal Budget 2010/11 – Review

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Budget 2010

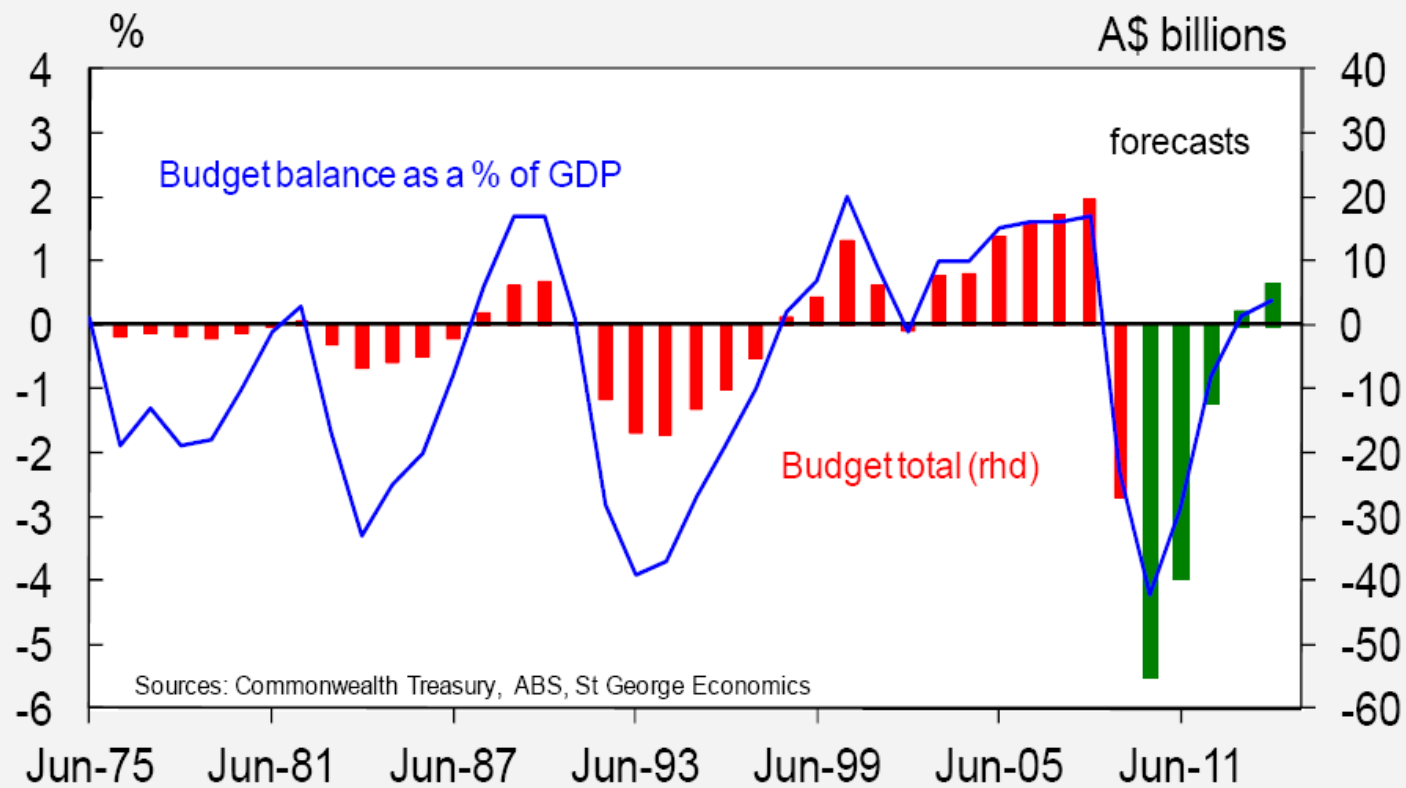
- Major Themes
- Business Measures
- Personal Families
- Key Budget Numbers
- Forecasts

Major Themes

- Fiscal Management
- Health Reform
- Mining Profits Tax
- Company Tax Rate Cuts
- Superannuation Boost
- Tax Reform
- Infrastructure
- Investing in renewable Energy

Fiscal Management

Australian Federal Budget



Forecast Budget surplus 2012/13

Health Reform

- \$355m for GP Super Clinics
- \$417m to enhance after hours services
- \$523m to train nurses
- \$467m to introduce individual electronic health records

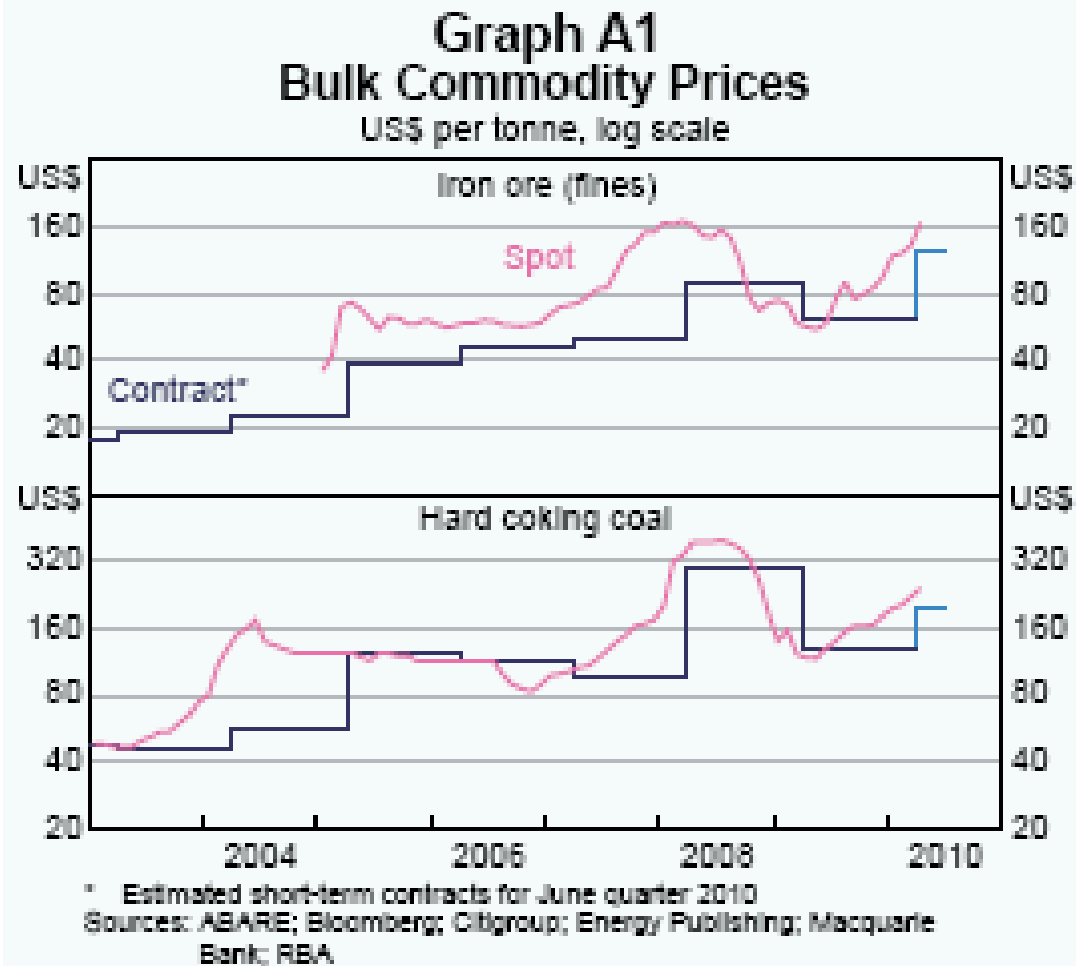
\$7.3bn in new spending over five years

Mining Profits Tax

- Resource Super Profits Tax (RSPT) rate 40%
- Introduction of RSPT as at 01 July 2012
- RSPT payable on the profits attributable to the exploitation of non-renewable resource deposits
- RSPT to raise net \$9bn in year 2013/14

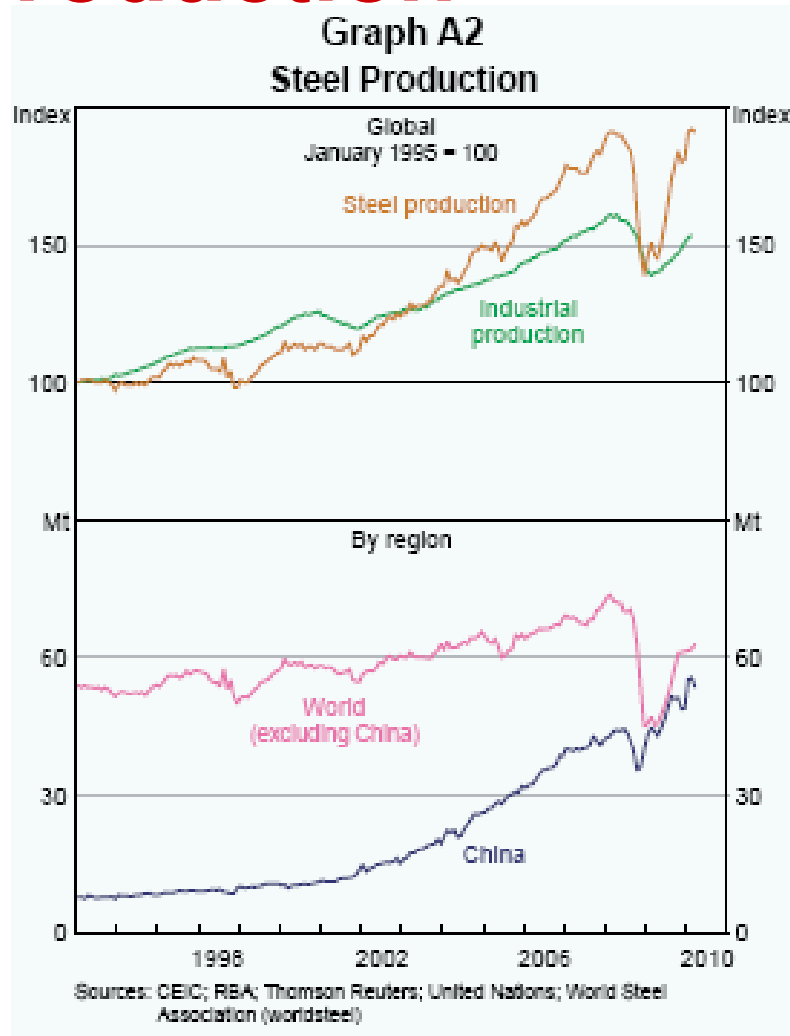
40% resource rent tax

Bulk Commodity Prices



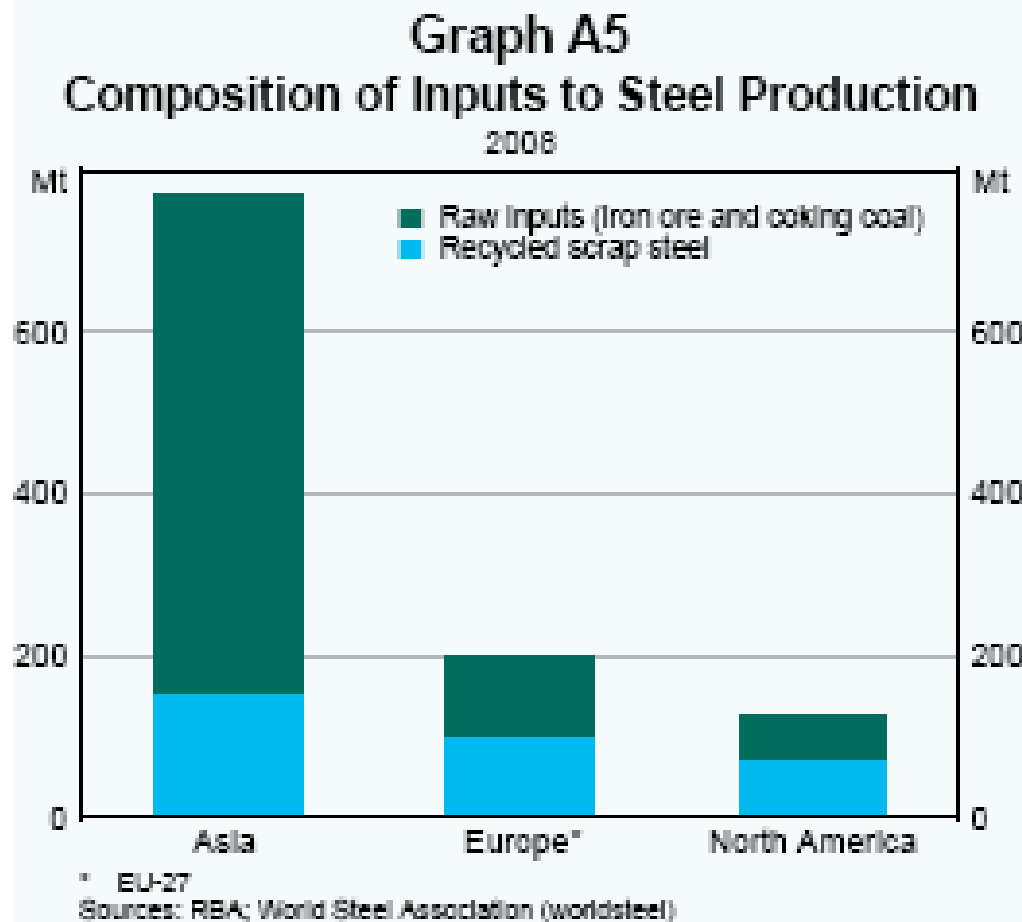
Contract prices to double

Steel Production



China steel production back to trend growth

Composition of Inputs to Steel Production



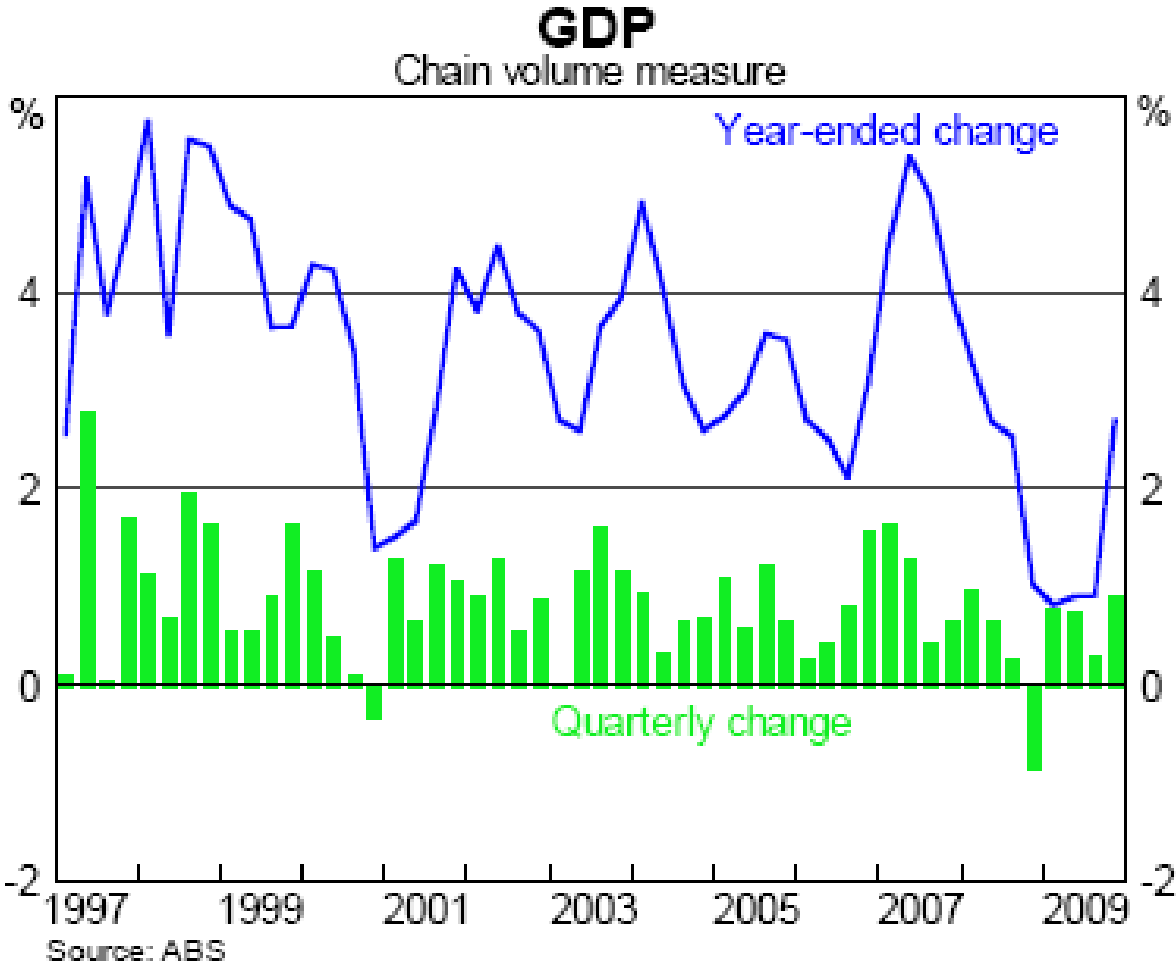
Asian Raw Inputs still growing

Company Tax Rate Cuts

- Reduction of Company Tax rate from 30% to 28% in two steps from 2013/14
- Small business to benefit from company tax cuts from 2012/13
- Small business instant asset write-off <\$5,000 effective 2012/13

Company Tax reduction to increase GDP by 0.4% in the long run

Gross Domestic Product



Superannuation Boost

- Superannuation Guarantee (SG) rate to increase from 9 per cent to 12 per cent

Year	Rate (%)
2013-14	9.25
2014-15	9.5
2015-16	10
2016-17	10.5
2017-18	11
2018-19	11.5
2019-20	12

Retirement savings to be boosted

Tax Reform

- 50% discount for interest income up to \$1,000 for individuals
- Effective from 01 July 2011
- Interest earned on deposits held in the following:
 - Authorised Deposit taking institutions
 - Bonds
 - Debentures
 - Annuity Products
- Standard deduction for work-related expenses

Infrastructure

- Proceeds from RSPT will create a new infrastructure fund
- Estimated inflows of more than \$5.6bn over the next decade
- Australian Rail Track Corporation to receive \$996m
- \$661m for the *Skills for Sustainable Growth* strategy

Investing in renewable Energy

- \$652m Renewable Energy Future Fund as part of an expanded \$5.1b Clean Energy Initiative
- Government and Private Sector partnerships to make critical early-stage investments
- Enhance take up of energy efficiency projects

Business Measures

- ATO compliance program
- Calculation and collection of income tax liabilities
- Fuel Tax – amending the arrangements for fuel ethanol
- Reforms to the GST financial supply provisions
- GST compliance program
- Tax Information Exchange Agreements

Personal Families

- Medicare levy threshold increase
- 50% savings discount for interest income
- Standard deduction for work-related expenses
- Personal Tax Rates

Residents: rates and tax payable from 1 July 2010

Taxable income (\$)	Tax payable (\$)
0 - 6,000	Nil
6,001 - 37,000	Nil + 15% of excess over 6,000
37,001 - 80,000	4,650 + 30% of excess over 37,000
80,001 - 180,000	17,550 + 37% of excess over 80,000
180,001+	54,550 + 45% of excess over 180,000

Simpler tax returns

Key Budget Numbers

Budget Aggregates AUDbn

	2008/09(a)	2009/10	2010/11	2011/12	2012/13	2013/14
GDP	1.3	2.00	3.25	4.00	3.00	3.00
Nominal GDP	6.7	2.75	8.50	5.75	5.50	5.50
Unemployment (Jun qtr)	5.7	5.25	5.00	4.75	5.00	5.00
Cash balance, \$bn *	-27.1	-57.1	-40.8	-13.0	1.0	5.4
% of GDP	-2.2	-4.4	-2.9	-0.9	0.1	0.3
Revenue, % GDP	23.2	22.0	22.4	23.5	24.1	24.1
Expenses, % GDP	25.1	26.2	25.1	24.2	23.8	23.6
% chg, real	12.7	4.9	0.9	-0.6	1.7	1.9
Net debt, \$bn	-16.1	41.8	78.5	90.5	93.7	90.8
% of GDP	-1.3	3.2	5.6	6.1	6.0	5.5
* Underlying cash balance						
Sources: ABS, Budget Papers, St.George Economics						

Forecast of trend growth to 3.25% next financial year

Major Policy Initiatives

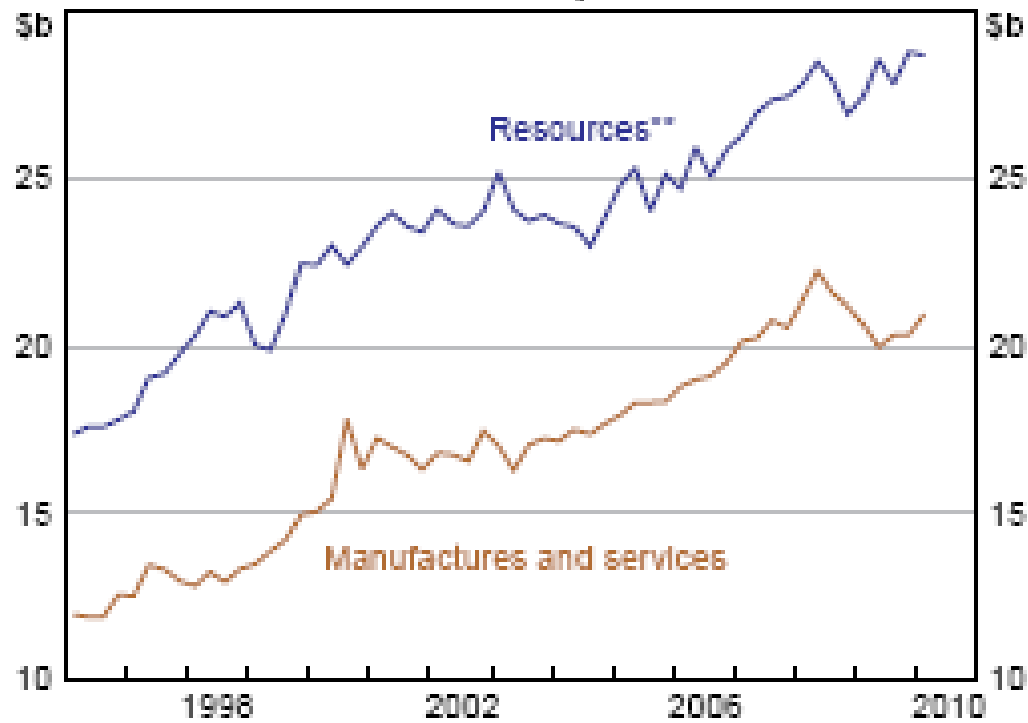
Major policy initiatives in 2010 Budget			
AUDbn	2010/11	4 Years*	Comment
Spending measures			
Health & hospitals reform	1.056	5.605	Overhaul of State/Commonwealth funding of hospitals
Renewable Energy Future fund	0.042	0.652	Leverage private funds, get renewable power to mkt.
Cutting company tax to 28% by 2014/15	–	2.85	Boost investment attraction, SMEs get early bite.
Other tax relief	0.001	2.99	Low incomes to see rise in effective tax free threshold.
Savings & superannuation	0.028	3.682	Super cont. up to 12% from 9%; breaks for small depositors.
Infrastructure Fund	–	1.435	A further attempt to boost productive potential.
Defence & security	0.341	2.095	Border protection; quarantine; ODA; aviation security.
Savings measures			
Resources taxation reform	–	12	Pro-cyclical tool to capture share of boomtime profits
Cigarette tax	1.13	4.98	An old favourite: tax the price inelastic goods.
PBS & Medicare threshold	0.156	2.13	Raising the income threshold; re-pricing of drugs.
'Reprioritisation'	0.244	2.145	The ubiquitous efficiency dividend?
Superannuation	0.066	0.824	Indexation pause; changes to co-contributions.
Greater compliance	0.301	2.152	Cash economy & greater GST compliance

Government Economic Forecasts

	year average		
	2009/10	2010/11	2011/12
Private consumption	2.75	3.5	4
Dwelling investment	3	7.5	4
Business investment*	-2.0	7	12.5
Private demand*	1.75	4.5	6
Government*	7.25	1	-0.5
Final demand	3	3.75	4.5
Stock contribution	0.75	0.5	0
GNE	3.75	4.25	4.75
Exports	1.5	5	6
Imports	5	9	8.5
Net exports contribution	-0.75	-1.0	-0.75
GDP	2	3.25	4
Nominal GDP	2.75	8.5	5.75
Employment	2.5	2.25	2
Unemployment rate (Jun qtr)	5.25	5	4.75
Participation rate	65.25	65.5	65.5
CPI	3.25	2.5	2.5
WPI	2.75	3.75	4
Terms of trade	-3.75	14.25	-3.75
Current account, % of GDP	-4.75	-3.75	-5.0
	2009	2010	2011
World growth	-0.6	4.25	4.25

Export Volumes

Graph 47
Export Volumes*
Quarterly



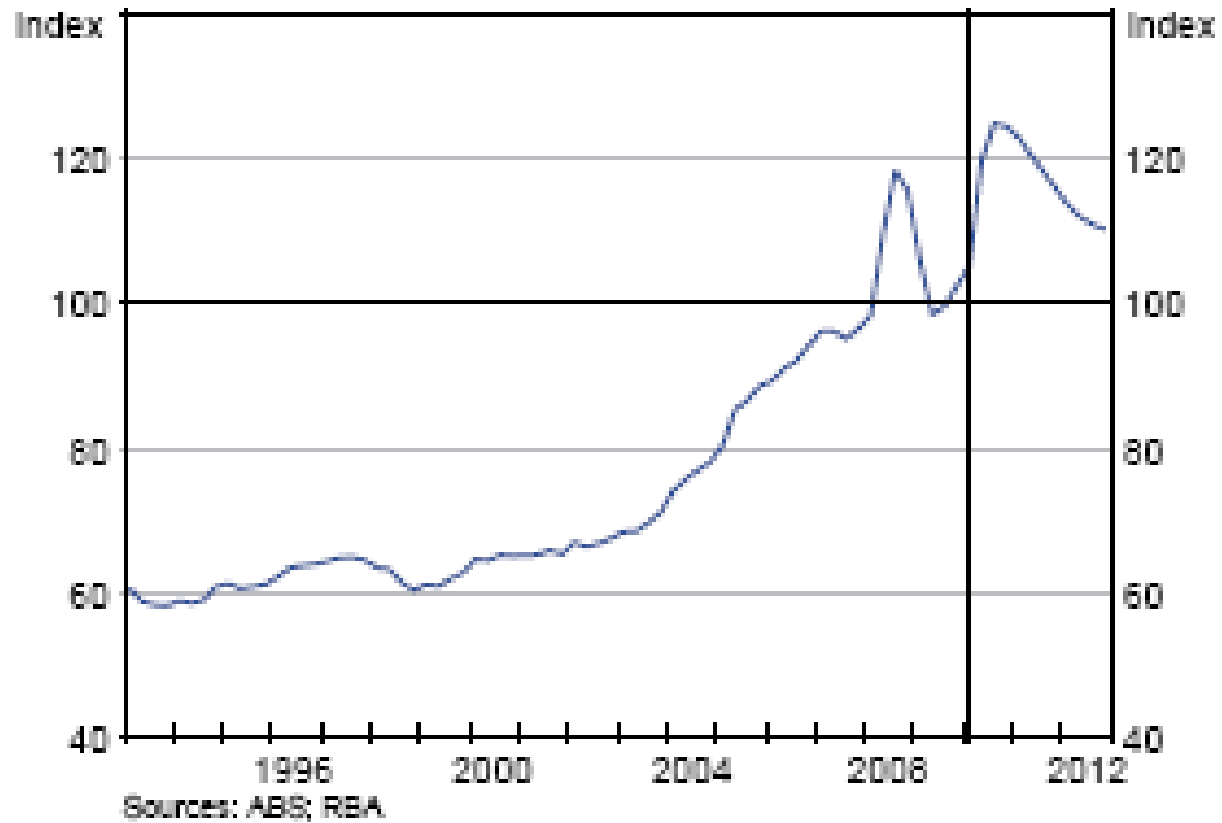
* RBA estimates for March quarter 2010

** Excludes RBA gold transactions

Sources: ABS; RBA

Terms of Trade

Graph 83
Terms of Trade
2007/08 = 100



St George Bank Forecasts

	2009			2010				2011
End Period:	Q2	Q3	Q4	Q1	Q2 (f)	Q3 (f)	Q4 (f)	Q1 (f)
RBA Cash Rate, %	3.00	3.00	3.75	4.00	4.50	4.75	4.75	4.75
90 Day BBSW, %	4.15	4.35	4.14	4.32	4.80	5.00	4.95	4.95
3 Year Bond, %	4.75	5.00	4.65	5.08	5.35	5.50	5.75	6.00
3 Year BBSW, %	5.45	5.70	5.42	5.45	5.67	5.80	6.05	6.30
10 Year Bond, %	5.70	6.00	5.56	5.64	5.80	5.90	6.10	6.30
AUD/USD	0.8064	0.8828	0.8977	0.9158	0.92	0.95	0.92	0.90

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