Budget
2017-18

Guaranteeing
the essentials for Australians

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Guaranteeing the essentials

Protecting and boosting the essential services Australians rely on

In a time of low wage growth, Australians place great faith in a government's range of essential services. The first duty of a government is to protect and keep Australians safe and ensure the critical services they rely on are guaranteed.

The Government is prioritising the essential services that Australians rely on, especially our most vulnerable, by funding our share of important services in healthcare, housing, disability support, education and employment.

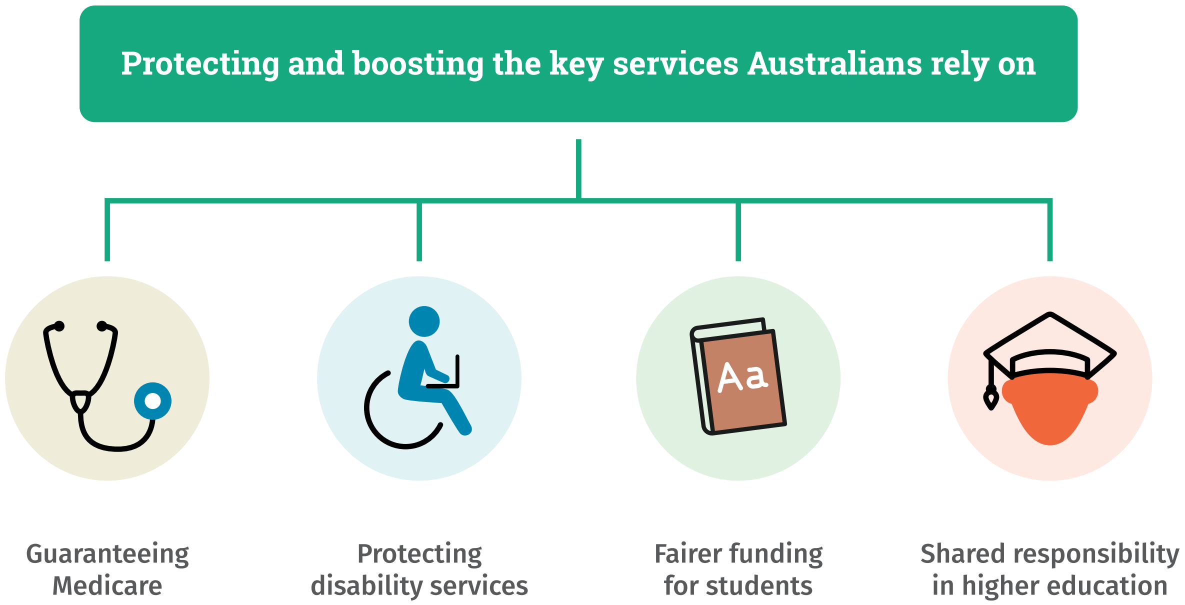
Our essential services give Australians the security and confidence they need to seize opportunities when they arise.

The Medicare Guarantee Fund will be established to ensure that Medicare funding is guaranteed. From 1 July 2017, the Government will provide $1.0 billion over four years to phase in the indexation of items on the Medicare Benefits Schedule, supporting Australians to access a doctor when they need care.

Full funding for the Commonwealth's share of the National Disability Insurance Scheme will be assured, with Australians asked to pitch in through a small increase to the Medicare levy from 2 to 2.5 per cent to help fully fund this critically important service.

The Government is also delivering a fairer and simpler way to meet our shared commitment to school funding, in accordance with the Gonski standard, by providing an additional $18.6 billion over ten school years while also delivering a fairer and more sustainable higher education system, where students, universities and the Government all contribute.

The Government will boost employment services, including for Indigenous and vulnerable parents.



Tackling cost of living pressures on Australian households

This Budget eases cost of living pressures on Australians and their families, in particular energy, housing and child care costs.

The Government recognises that not all Australians have fully enjoyed the benefits of the hard-won growth the nation has experienced in recent years.

> ***The Government is committed to helping Australians and their families.***

The Government's energy security plan will help provide reliable and affordable energy for Australians, with practical reforms designed to meet immediate challenges and lay the foundations for our future energy needs.

Hard working families have faced ever increasing child care fees, with costs growing by 51.7 per cent from 2008-09 to 2015-16. This is placing a significant strain on household budgets and presenting a hurdle for Australians considering a return to the workforce.

To assist around one million families, the Government is investing $37.3 billion over four years through its *Jobs for Families* Child Care Package to help ease cost of living pressures and provide more affordable access to quality child care.

Australians will also get a better and fairer deal from our banking and financial system, with the Government giving consumers access to free, fast and binding dispute resolution services, making banks and their executives more accountable and giving consumers greater access to and control over their banking data, empowering them to seek out better and cheaper services.

Restoring the Pensioner Concession Card

The Government will reinstate the Pensioner Concession Card for those impacted by the asset test change introduced in January this year.

This will allow an extra 92,000 people to access discounts offered to holders of the Pensioner Concession Card, including subsidised hearing services offered by the Commonwealth.

It will also facilitate these people continuing to access discounts offered by the States and Territories.

Guaranteeing Medicare

Ensuring Australians can access timely and affordable health care

All Australians can be assured Medicare is not only here to stay, but will be strengthened into the future.

The Government is guaranteeing vital health care services, with Commonwealth health funding expected to increase from $75.3 billion in 2017-18 to $82.6 billion in 2020-21.

Medicare Guarantee Fund

The Government is guaranteeing Medicare.

The Medicare Guarantee Fund will be established from 1 July 2017, to secure the ongoing funding of the Medicare Benefits Schedule (MBS) and the Pharmaceutical Benefits Scheme (PBS), guaranteeing Australians' access to these services and affordable medicines into the future.

The Fund provides transparency around the cost of running the MBS and PBS and guarantees the Government's commitment to fund the affordable health care all Australians rely on.

Proceeds from the Medicare levy, less the portion set aside for the National Disability Insurance Scheme, will be paid into the Fund and topped up with a portion of personal income tax receipts to meet the combined cost of the MBS and PBS.

These amounts will be held in the Fund for the sole purpose of meeting the cost of essential health care provided under the MBS and PBS.

Strengthening Medicare

The Government will provide $1.0 billion to lift the freeze on the indexation of the MBS. To encourage GPs to bulk bill children under the age of 16 and concession card holders, bulk billing incentives will be indexed from 1 July 2017. The following year, fees for GP and specialist consultation items will be indexed, increasing the Government's contribution to the cost of important health care services. From 1 July 2019, specialist procedure and allied health fees will be indexed.

On 1 July 2020, targeted diagnostic imaging items, such as computed tomography scans, mammography, fluoroscopy and interventional radiology, will also be indexed for the first time since 2004.

In addition, the Government will not proceed with changes to bulk billing incentives for pathology and diagnostic imaging services announced at the 2015-16 MYEFO, encouraging providers to continue to bulk bill patients.

$1 billion for MBS indexation phase-in

GP bulk billing incentives | GP and specialist consultations | Specialist procedures and allied health | Targeted diagnostic imaging items

A healthy Australia

Providing affordable medicines and investing in mental health and public hospitals

Continuing to provide access to new medicines

Australians will continue to have affordable access to new medicines, with the Government meeting its commitment to list cost-effective medicines on the PBS.

In this Budget, $1.2 billion will be provided for new and amended listings on the PBS, including more than $510 million for Sacubitril with valsartan (Entresto®).

Since 2013, the Government has listed more than 1400 new or amended medicines on the PBS averaging 32 new and amended listings a month. These new listings include breakthrough medicines to treat breast cancer, Hepatitis C, cystic fibrosis and severe asthma.

Investing in mental health

More than $115 million will be invested in mental health, including $80 million for psychosocial services, $9.1 million in funding for rural telehealth psychological services, $15.0 million for priority mental health research and $11.1 million to address suicide hotspots.

The Government is providing further mental health support for veterans and their families, by investing $9.8 million to fund pilot programs to improve mental health services and support suicide prevention efforts for veterans.

The Government will also provide $33.5 million to ensure anyone who has served a single day in the full-time Australian Defence Force can seek treatment for mental health conditions and $8.5 million to expand access to counselling services for veterans' families.

Funding public hospitals

Record levels of financial assistance will be provided to State Governments to deliver the public hospital services Australians need.

Commonwealth payments to the States for public hospitals continue to grow strongly, from $13.8 billion in 2013-14 to an estimated $22.7 billion in 2020-21.

On current Budget forecasts, an additional $7.7 billion will be provided to the States and Territories from 2016-17 to 2020-21 giving effect to the Heads of Agreement on public hospital funding signed by COAG on 1 April 2016.

Medical Research

In this Budget the Government has committed new funding for medical research, $65.9 million will be provided from the Medical Research Future Fund to support preventative health research, clinical trials and breakthrough research investments.

In addition, $5.8 million will be provided for research into childhood cancer.

Protecting disability services

Full and sustainable funding for the National Disability Insurance Scheme

The Commonwealth will fully fund its contribution to the National Disability Insurance Scheme, giving Australians with permanent and significant disability, and their families and carers, certainty that this vital service will be there for them into the future.

To help fund the scheme, the Government is asking Australians to contribute, with the Medicare levy to be increased by half a percentage point from 2 to 2.5 per cent of taxable income. This means that one-fifth of the revenue raised by the Medicare levy, along with any underspends within the NDIS, will be directed to the NDIS Savings Fund.

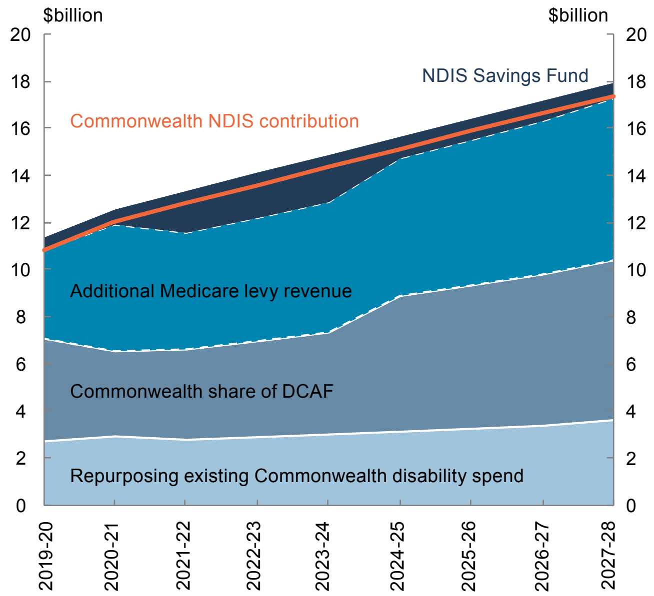
The Government's decision to increase the Medicare levy from 1 July 2019 reflects the fact that Australians have a role to play, in accordance with their capacity, to ensure this important program is secure for current and future generations.

The NDIS is on track to be fully rolled out from 2020.

States and Territories will be expected to maintain their commitment and contribution to the NDIS and continue to support mainstream services for people with disability.

More than $200 million will be provided to establish an independent NDIS Quality and Safeguards Commission to oversee the delivery of quality and safe services for all participants of the NDIS. The Commission will support NDIS participants to exercise choice and control, ensure appropriate safeguards are in place, and establish expectations for providers and their staff to deliver quality supports. The Commission will perform three core functions: regulation and registration of providers; complaints handling; and reviewing and reporting on restrictive practices.

Fully funding the NDIS



Note: The NDIS Savings Fund includes one-fifth of the Medicare levy from 1 July 2019, underspends and realised saves redirected to the NDIS Savings Fund, and uncommitted funds from the Building Australia Fund and Education Investment Fund.

The Government will also invest $33 million over three years to help existing service providers in the disability and aged care sectors grow their workforce. This package will deliver jobs for Australians in rural, regional and outer suburban areas that require strong workforce growth as a result of the NDIS roll out.

The scheme's cost sustainability is being examined in the Productivity Commission's review of NDIS costs. Due to be released in September 2017, it will examine factors affecting costs and will help inform the final design of the full scheme.

The NDIS reaches full scheme in your state by:

July 2018	July 2019	July 2020
SA	NT	WA
NSW	TAS	
	QLD	
	ACT	
	VIC	

Fairer funding for student needs

Fairer and more transparent funding for all Australian students

Building on the extra $1.2 billion provided for schools in the 2016-17 Budget, the Government will invest record amounts in education, with $18.6 billion in extra schools funding to be invested over the next decade.

This shows the Government's unshakeable commitment to our education system, ensuring funding is sustainable, focused on need and provides long-term certainty for Australian parents and students.

The Government is transitioning to a schools funding model that is fundamentally fair, based on need, more transparent and tied to reforms that evidence shows boost educational outcomes.

Funding for schools will be distributed through a needs-based funding model, as recommended by the Review of Funding for Schooling led by Mr David Gonski AC in 2011 and will include a base amount for all students with loadings to address disadvantage.

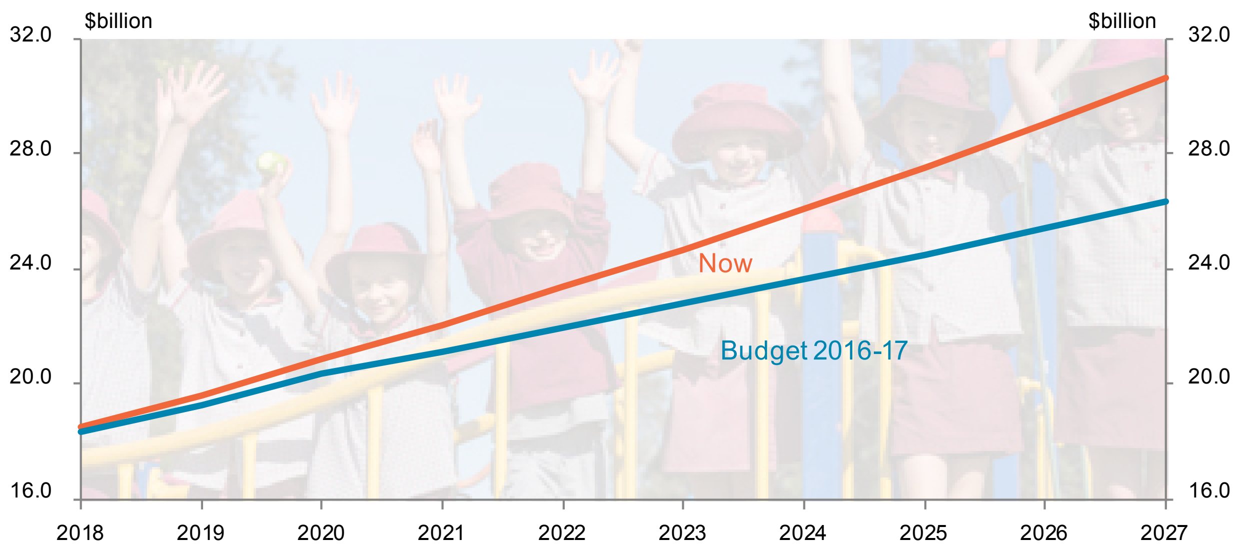
Current funding arrangements contain 27 different deals which are not based on the needs of students. At present, students with the same needs within the same sector receive different levels of Commonwealth funding, simply because of the State in which they live.

Under the new model, schools will be funded for each student based on need, irrespective of location.

Commonwealth funding will transition over 10 years to a consistent share of the funding standard of 20 per cent for government schools and 80 per cent for non-government schools. This reflects the Commonwealth's role as a minority funder for government schools and majority funder for non-government schools.

These reforms mean that those students with greatest need will receive the highest levels of funding from the Government.

Faster transition to needs-based funding



Funding that better targets disadvantaged schools

Targeted transition assistance will be available for disadvantaged schools that need help to transition to the new model.

Funding will be tied to reforms proven to lift student outcomes to ensure the record funding being provided for schools drives better results, accountability and transparency. It will also be contingent on the States maintaining their real per student funding levels.

Over the next ten school years all sectors will receive growth in Commonwealth funding, with average increases of around 4.1 per cent per student across Australia.

From 2018 to 2027, funding is estimated to grow at an average annual per-student rate of 5.1 per cent for the government sector, 3.5 per cent for the Catholic sector and 4.1 per cent for the Independent sector.

The Government's package of funding and reforms provides a sustainable and fair model for schools now, and long-term certainty for parents and schools into the future.

The Government is committed to ensuring the best outcomes for Australian students. Reform priorities will be informed by a Review to Achieve Educational Excellence in Australian Schools, to be chaired by Mr David Gonski AC. The Review, builds on the 2011 Review of Funding for Schooling, and will provide practical and evidence-based advice on how best to invest record funding to drive improvements in student achievement. The Review will conclude by December 2017.

Affordable, accessible child care

The recently legislated *Jobs for Families* package will ease cost of living pressures for around one million families

The Government has delivered on its commitment to provide more affordable and more accessible child care through the recently legislated *Jobs for Families* Child Care Package.

From 2017-18 to 2020-21, the Government will invest $37.3 billion in child care, including before and after school care, to ease cost of living pressures for around one million Australian families.

The *Jobs for Families* Child Care Package will support workforce participation and place downward pressure on fees, while also providing early learning opportunities for children.

From 2 July 2018, the Child Care Subsidy will provide more support for the families who need it the most.

The single simplified, means-tested Child Care Subsidy will replace the Child Care Benefit, Child Care Rebate and Jobs, Education and Training Child Care Fee Assistance Programme.

The Child Care Subsidy will ensure families on low to middle incomes of $185,710 or less (in 2017-18 terms) who need to use more child care will not face an annual cap. An annual cap of $10,000 will apply to families earning more than $185,710 (in 2017-18 terms).

From 2 July 2018, the new Child Care Subsidy will provide more support for families who need it the most.

Child Care Subsidy

Combined Family Income (in 2017-18 terms)	**Subsidy per cent of the actual fee charged (up to relevant percentage of the hourly rate cap)**
Up to $65,710	85 per cent
More than $65,710 to below $170,710	Tapering to 50 per cent
$170,710 to below $250,000	50 per cent
$250,000 to below $340,000	Tapering to 20 per cent
$340,000 to below $350,000	20 per cent

Preschools

The Government will provide $428 million to extend the National Partnership Agreement on Universal Access to Early Childhood Education for the 2018 school year so that children in the earliest years have access to 15 hours per week of a quality preschool education in the year before they begin school.

Shared responsibility in our higher education system

Creating a sustainable, world-class higher education system

This Budget will deliver higher education reforms that ensure the long-term sustainability of the higher education system.

In recent years, university revenues have increased faster than costs. Between 2010 and 2015, the average costs per equivalent full time student increased by 9.5 per cent, while funding to universities has increased by around 15 per cent.

Although the Government will no longer proceed with the 20 per cent reduction in Commonwealth Grants Scheme funding, universities will play their part in building a more sustainable system alongside students and taxpayers. Universities will be subject to an efficiency dividend of 2.5 per cent in 2018 and 2019, a dividend that will be absorbed by universities and not be passed on to students.

The Government is also more fairly balancing the cost of higher education. From 2018, students will contribute an additional 7.5 per cent, to be phased in over four years, which can still be met through the Higher Education Loan Program (HELP) scheme so no student will face upfront fees. The Government will remain the majority funder of higher education. This increased student contribution better reflects the lifetime benefits reaped by higher education graduates and recognises the significant taxpayer contribution that subsidises more than half their costs.

A new set of HELP repayment thresholds will be introduced from 1 July 2018 and will be indexed by the Consumer Price Index. This will improve the prospects for repayment of student loans.

The Government is creating six new community-owned regional study hubs, and expanding support for work experience units. These measures will help remove barriers to university for regional students, and ensure that students are better supported to develop real work skills and gain access to industry-relevant experience.

The Government is committed to ensuring students from disadvantaged backgrounds have the opportunity to participate in university. The Higher Education Participation and Partnerships Program will be reformed to deliver two components — a National Priorities Pool and an Access and Participation Fund which rewards universities that deliver the best outcomes for Indigenous students and those from low-socioeconomic backgrounds.

These reforms will deliver a higher education system that will be more responsive to the aspirations of students and the needs of the future workforce.

Course Category	2020 Current Arrangements – Government CGS Contribution	2020 Higher Education Package – Government CGS Contribution
Law, accounting, administration, economics, commerce	$2,205	$1,211
Humanities	$6,134	$5,405
Mathematics, statistics, behavioural science, social studies, computing, built environment, other health	$10,852	$9,873
Education	$11,293	$10,421
Clinical psychology, allied health, foreign languages, visual and performing arts	$13,347	$12,365
Nursing	$14,901	$13,930
Engineering, science, surveying	$18,976	$17,651
Dentistry, medicine, veterinary science, agriculture	$24,085	$22,519

Reliable and affordable energy for Australians

The first step of our energy security plan provides an immediate response to Australia's energy crisis

The Government is taking action to ensure reliable and affordable energy for businesses and households.

Australia's energy system is facing unprecedented change, driven by changes in technology, consumer behaviour and our emission reduction targets.

This transition is presenting significant challenges for consumers, businesses and the energy market. Electricity prices for families and small businesses have doubled over the past decade and we have seen the damaging effects of blackouts.

The Government's energy security plan supports the infrastructure needed to deliver reliable base load power, while supporting the innovation and development of new and more affordable energy into the future. The Government is also working with the industry, States and Territories to deliver a comprehensive reform package to secure Australia's energy needs.

The Snowy Mountains Scheme 2.0

The game changing Snowy Mountains Scheme 2.0 will increase its generation capacity by 50 per cent and deliver 2000 megawatts of additional reliable renewable energy to power five hundred thousand homes.

The Government has commenced discussions with NSW and Victoria to acquire a larger share or outright ownership of Snowy Hydro to facilitate the effective and efficient expansion of Snowy Hydro 2.0.

Securing Australia's Energy Needs

The Government's energy security plan provides reliable and affordable energy for Australians coping with rising energy prices. It includes:

- **Securing access to our gas resources for domestic use.** The Government will provide around $90 million to promote gas supply. The Government has also secured gas industry commitments to improve domestic supply.
- **Ensuring consumers and industry get a fair deal.** The Government has asked the ACCC to undertake inquiries into competition in retail electricity and gas markets.
- **Working to improve energy regulation.** Extra funding will improve gas market efficiency and transparency.
- **Investing in new generation, transmission and storage capacity.** Snowy 2.0 would provide a 2000 megawatt increase in capacity. Funding is also being provided to investigate new gas pipelines and for energy infrastructure in South Australia.
- **Investing in new low emissions technology.** The Clean Energy Finance Corporation has provided more than $3 billion of support to new technologies.

The Government's long-term plan will be informed by independent, expert advice, with a review being conducted by Australia's Chief Scientist, Dr Alan Finkel AO.

Securing access to gas

Ensuring a fair deal for consumers

Improving energy regulation

Investing in generation, transmission and storage

Investing in new technology

A fairer banking deal

A more accountable and competitive banking system to deliver a better and fairer deal for consumers and businesses

A strong and resilient banking and financial system is critical to the strength of our economy.

While our banks are strong, there also needs to be greater competition, accountability and fairness in our banking and financial system to deliver a better and fairer deal for consumers and businesses.

The Government is pursuing this agenda through comprehensive reform.

Banks will be held more accountable through the introduction of serious sanctions for misconduct including for executives who fail to meet expectations.

The Government will also create a new framework for dispute resolution with a one stop shop – the Australian Financial Complaints Authority – to ensure that customers and small businesses have access to free, fast and binding dispute resolution. The Government will legislate to enhance internal dispute resolution by requiring financial firms to report on dispute resolution outcomes.

To drive competition in financial services, the Government will introduce an open banking regime, under which customers will have greater access to and control over their banking data. This will be a major change in the way Australians use and benefit from their data, and open the way for better services, more choice of providers and lower prices. Implementation will be informed by an independent review that will report by the end of 2017.

The Government will also task the Productivity Commission to commence a review on 1 July 2017 of the state of competition in the financial system. The ACCC will also be tasked to undertake regular in depth inquiries into specific financial system competition issues using a new, dedicated financial system unit.

To drive the innovation and efficiency that will deliver better and more competitive financial services, the Government is also taking further action to establish Australia as a leading global financial technology (FinTech) hub by introducing a world-leading regulatory sandbox.

Fairer banking

Competitive	**Accountable**
• Open banking • FinTech	• Enforcing higher expectations • Strengthening dispute resolution

A new levy on the major banks

Consistent with its response to the Financial System Inquiry, the Government and the Australian Prudential Regulation Authority (APRA) remain committed to a range of reforms, including: setting bank capital levels such that they are 'unquestionably strong'; strengthening APRA's crisis management powers; and ensuring our banks have appropriate loss-absorbing capacity.

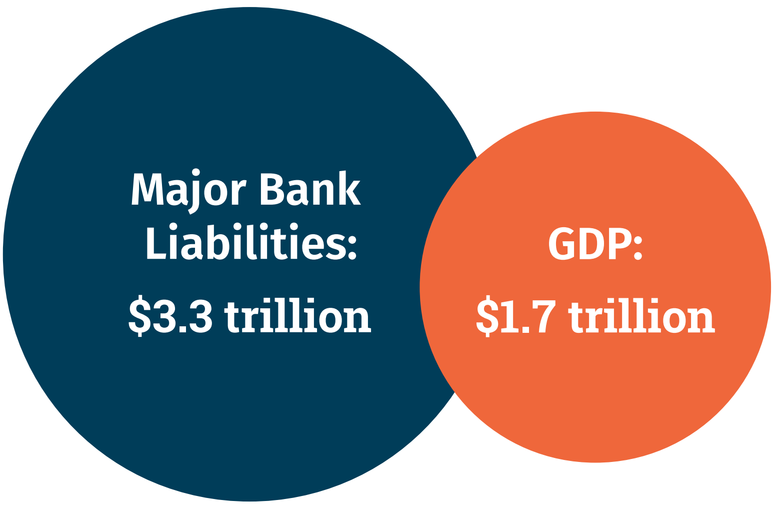
Complementing these reforms, the Government will introduce a levy on major banks with liabilities greater than $100 billion, raising $6.2 billion over four years. The levy will be used to support budget repair.

Ordinary bank deposits and other deposits protected by the Financial Claims Scheme - including those held by everyday Australians - will be excluded from the levy base. It will not be levied on mortgages.

The levy represents a fair additional contribution from our major banks. The levy will also provide a more level playing field for smaller, often regional, banks and non-bank competitors. Superannuation funds and insurance companies will not be subject to this levy.

The Government has also introduced legislation to recover the costs of financial conduct regulation by the Australian Securities and Investments Commission. It will also recover the costs of implementing a new framework for external dispute resolution. A one-stop shop for resolving financial disputes — the Australian Financial Complaints Authority — and a body for raising professional standards of financial advisers will be fully funded by industry.

Major bank liabilities are greater than the size of our economy



Reducing pressure on housing affordability

Championing the great Australian dream of home ownership

The Government is providing practical solutions across the entire housing spectrum; from Australians struggling to put a roof over their head through to older Australians looking to downsize.

Access to secure and affordable housing can improve education and health outcomes, increase workforce participation and reduce welfare dependency.

However, an extended period of price growth, particularly in Sydney and Melbourne, is creating pressure across the housing spectrum.

Potential first homebuyers are struggling to transition into home ownership and are staying in the rental market for longer. This has put upward pressure on rental prices.

As a result, households on lower incomes are finding it increasingly difficult to find affordable rental properties. This has led to longer waiting lists for public and community housing.

Improving housing affordability right across the housing spectrum must be a key objective for governments at all levels. There is no silver bullet. The response must be well targeted and coordinated.

A key factor behind rising prices in some major cities has been supply failing to respond to demand. A period of weak construction activity in the mid-to-late 2000s left these cities undersupplied, resulting in pent-up demand.

Despite record housing supply in recent years, more homes are needed for Australians. Not just for homeowners, but for renters, key workers such as nurses, teachers and police officers who can't afford to buy or rent and those on lower incomes.

The current National Affordable Housing Agreement (NAHA) lacks accountability and transparency. Despite the Australian Government providing the States with over $9 billion since 2009, the NAHA has failed to achieve its objectives.

The Government is providing national leadership to work together with State and Territory governments to reduce pressure on housing affordability.

This Budget contains a comprehensive and targeted reform plan to improve outcomes across the housing spectrum.

A targeted and comprehensive plan

Unlocking supply

The Government will help boost the supply of housing and will encourage a more responsive housing market by:

- Providing $1 billion to fund critical infrastructure, such as water infrastructure, that will speed up the supply of housing
- Working with the States to deliver planning and zoning reform that speeds up development
- Releasing suitable Commonwealth land, starting with Defence land at Maribyrnong in Melbourne, for housing development
- Investing more than $70 billion from 2013-14 to 2020-21 on transport infrastructure across Australia
- Specifying housing supply targets in new agreements with the States and Territories

Creating the right incentives

The Government is creating the right incentives to improve housing outcomes, including:

- Helping first home buyers to save a deposit through voluntary contributions into superannuation
- Reducing barriers to downsizing to free up larger homes for families
- Improving the targeting of housing tax concessions
- Strengthening the capital gains tax rules so that foreign investors pay their fair share of capital gains tax
- Reforming foreign investment rules to discourage investors from leaving their property vacant
- Supporting economic growth and jobs to boost real wages

Improving outcomes for those most in need

The Government will improve outcomes in social housing and homelessness by:

- Requiring States and Territories to meet social and affordable housing targets under revised funding arrangements
- Providing $375 million to give funding certainty to providers of homelessness services
- Establishing a National Housing Finance and Investment Corporation to operate an affordable housing bond aggregator
- Providing tax incentives to increase private investment in affordable housing

A comprehensive housing affordability plan for all Australians

The Government has a comprehensive and targeted plan that will improve outcomes across the housing spectrum.

Unlocking supply

- **A new National Housing and Homelessness Agreement linked to outcomes including aggregate housing supply targets**
- **Encouraging planning and zoning reforms**
- **Establishing the $1 billion National Housing Infrastructure Facility**

As at 30 June 2016, there were almost 200,000 households on social housing waiting lists

Crisis → **Social** → **Affordable Rental**

In 2015-16, over a quarter of a million people were assisted by specialist homelessness agencies

The most recent figures show that there is a shortage of 271,000 affordable and available homes for low income households

Improving outcomes for those most in need

A new $4.6 billion National Housing and Homelessness Agreement including $375 million of new funding for homelessness

Funding Social Impact Investing

- **Establishing the National Housing Finance and Investment Corporation**
- **Increasing the capital gains tax discount to 60 per cent for individual investors in affordable housing**
- **Encouraging investment in affordable housing by Managed Investment Trusts**
- **Strengthening the regulation of community housing providers nationally**
- **Supporting The Big Issue's Homes for Homes Initiative**

- Investing in cities through City Deals, including in Western Sydney
- Releasing suitable Commonwealth land, starting with 127 hectares of surplus Defence land in Melbourne
- Developing a public and online Commonwealth land registry

The number of low income households experiencing rental stress has increased from 43 to 54 per cent in Greater Sydney and 37 to 45 per cent in Greater Melbourne, between 2007-08 and 2013-14

Private Rental → **Assisted Home Ownership** → **Home Ownership**

The average number of years to save for a deposit on a house has increased from 5 to 8 years in Sydney, and from 4 to 6 years in Melbourne over the last decade.

Creating the right incentives

Private Rental

- **Developing standard long-term leases**
- **Introducing an annual tax on foreign owners of vacant residential properties**

Assisted Home Ownership

Promoting rent-to-buy and shared equity schemes

Home Ownership

- **Allowing first home buyers to build deposits within superannuation through voluntary contributions**
- **Reducing barriers to downsizing to free up larger homes for families**
- **Improving the integrity of capital gains tax rules for foreign investors**
- **Limiting foreign investment approvals in new developments**
- **Encouraging new housing that is offered exclusively to first home buyers**

Supporting first home buyers and older Australians

Making it easier to get into the housing market

Helping first home buyers

Many Australians, particularly younger Australians, are finding it harder to save for their first home.

The Government will make this savings task easier by allowing first home buyers to build a concessionally taxed deposit inside superannuation through the First Home Super Saver Scheme.

From 1 July 2017, first home buyers can contribute up to $15,000 per year and $30,000 in total in voluntary contributions to their superannuation account, within existing contribution caps, that can then be withdrawn for their deposit. These savings will benefit from the tax advantages of superannuation. Contributions and earnings will be taxed at only 15 per cent, rather than at marginal rates, and withdrawals will be taxed at marginal rates less 30 per cent. Both members of a couple can save within the cap and then combine savings for a single deposit.

Boosting Louise and Craig's first home deposit

Louise earns $60,000 a year and wants to buy her first home. Using salary sacrifice, she annually directs $10,000 of pre-tax income into her superannuation account, increasing her balance by $8,500 after the contributions tax has been paid by her fund. After three years, she is able to withdraw $27,380 of contributions and the deemed earnings on those contributions. After withdrawal tax, she has $25,760 that she can use for her deposit. By using this scheme, Louise has saved around $6,240 more for a deposit than if she had saved in a standard deposit account.

Louise's partner, Craig, makes the same income and salary sacrifices $10,000 annually to superannuation over the same period.

Together, after 3 years, Louise and Craig have $51,520 for their first home, $12,480 more than if they had saved in a standard deposit account.

Reducing barriers to downsizing

Older Australians will be encouraged to downsize and free up housing stock. These homeowners will be given greater flexibility to contribute the proceeds of the sale of their home into superannuation. Downsizing frees up larger homes for younger families.

From 1 July 2018, people aged 65 and older will be able to make a non-concessional contribution of up to $300,000 to their superannuation after selling their home. This will be in addition to any other contributions they are eligible to make.

From 1 July 2018, people aged 65 and older will be able to make a non-concessional contribution of up to $300,000 to their superannuation after selling their home.

Helping George and Jane downsize

George and Jane, both retired and aged 76 and 69, sell their home to move into more appropriate accommodation. The proceeds of the sale are $1.2 million. They can both make a non-concessional contribution into superannuation of $300,000 from the sale proceeds ($600,000 in total), even though Jane no longer satisfies the standard contribution work test and George is over 75. They can make these special contributions regardless of how much they already have in their superannuation accounts.

Tightening foreign investor rules

The Government will stop foreign and temporary tax residents from claiming the main residence capital gains tax exemption when they sell their Australian property.

To reduce avoidance of capital gains tax in Australia by foreign residents, the Government is bolstering the integrity of the foreign resident capital gains tax withholding system by increasing the rate from 10 per cent to 12.5 per cent and reducing the threshold from sales valued at $2 million or above to $750,000 or above.

Helping private renters

A new annual charge of at least $5,000 will apply to new foreign-owned properties left vacant which will free up more rental housing stock.

The Government will also work with the States and Territories to develop standard long-term leases that offer more security to renters.

Improving regulator tools to address housing risks

The Government is ensuring that the Australian Prudential Regulation Authority (APRA) is able to respond flexibly to financial and housing market developments that pose a risk to financial stability. This includes giving APRA new powers over the provision of credit by lenders that are outside the traditional banking sector.

The Government also recognises that housing pressures and risks may not be the same in markets across Australia. For this reason, the Government will make it clear that APRA has the ability to use geographically-based restrictions on the provision of credit where APRA considers it appropriate.

Better targeting tax deductions

The Government will improve the integrity of the tax system by disallowing accommodation and travel deductions for residential rental property and by limiting depreciation deductions for the plant and equipment forming part of residential investment properties.

Together with changes to foreign investor rules, these changes will raise $1.4 billion over the forward estimates period.

Building more homes

Boosting supply and speeding up the delivery of new housing

National Housing Infrastructure Facility

The high costs of building critical infrastructure, such as roads and water networks, can delay the commencement of housing developments and slow the supply of new homes.

A $1 billion National Housing Infrastructure Facility will be established to provide a range of financing options to local governments. This will allow councils to address infrastructure bottlenecks that impede development and will bring forward the supply of new housing.

Unlocking Commonwealth land

The Government is contributing to the supply of housing by making sure Commonwealth surplus land holdings are put to better use, including for building new homes.

More than 127 hectares of surplus Defence land in Maribyrnong will be made available for housing and employment hubs. This could support up to 6000 new homes – less than 10 kilometres from the Melbourne CBD.

The Government will work with the Victorian and local governments to ensure the right infrastructure is in place, so that this land can be developed as fast as possible.

The Government is developing an online registry of Commonwealth land holdings. This will allow other levels of government, private businesses and community groups to bring forward proposals to put the land to better use, including for housing development.

Reforming State Payments

The current National Affordable Housing Agreement is not achieving its objectives. The Government will establish a new National Housing and Homelessness Agreement with State and Territory governments that is outcomes-based and reduces pressure across the housing spectrum.

The new national agreement will reward States that meet housing supply targets that better keep pace with demand, including targets for social and affordable housing. New housing that is offered exclusively to first home buyers will be encouraged.

The Government will bring forward and increase the supply of new homes by rewarding state land use planning reforms that speed up development application processes and allow for increased density in appropriate areas.

A $1 billion National Housing Infrastructure Facility will build the infrastructure needed to bring forward the supply of new housing.

Better connecting home and work

The Government is committing more than $70 billion to infrastructure from 2013-14 to 2020-21 to reduce congestion, grow regional communities and better connect home to work.

In this Budget, the Government is establishing a $10 billion National Rail Program to fund priority regional and urban rail investments. Funding will also be provided for up to three business cases for infrastructure projects that will deliver faster rail connections between major cities and major regional centres.

The Government is working with State, Territory and local governments on City Deals that make cities better places to live and do business in.

The Government is working with the New South Wales and local governments on a Western Sydney City Deal that will help ensure the housing needs of the region are met.

Boosting investment in affordable housing

Creating the right incentives for private investment in affordable housing

Tax incentives to boost investment in affordable housing

The Government is taking action to encourage investment in new and existing affordable rental housing by increasing the capital gains tax (CGT) discount from 50 per cent to 60 per cent for qualifying affordable housing. To qualify for the higher discount, housing must be provided to tenants on low to moderate incomes, with rent charged at a discount below the private rental market rate. The affordable housing must be managed through a registered community housing provider and the investment held for a minimum period of three years.

From 1 July 2017, the Government will allow Managed Investment Trusts (MITs) to be established for the purpose of developing or acquiring affordable housing to hold for rent.

This reform will provide foreign and domestic investors, including superannuation funds, with a new way of accessing long-term, stable investments in the property sector and provide a way to direct investment to build more affordable housing.

Foreign investors who invest in affordable housing will be subject to a withholding tax rate of 15 per cent on their investment returns if they are from countries that have an exchange of information arrangement with Australia.

The MITs must earn at least 80 per cent of their assessable income from affordable housing. If properties are held for rent for less than 10 years, the proceeds of any capital gains received by foreign investors will be taxed at double the rate.

Domestic individual investors will benefit from the pass through of the new 60 per cent CGT discount for affordable housing where properties have been held for a minimum of three years.

Encouraging institutional investment in affordable housing

A new National Housing Finance and Investment Corporation will be established by 1 July 2018 to operate an affordable housing bond aggregator to provide long term, low-cost finance for affordable housing providers.

The structure of the bond aggregator is currently being examined by the Affordable Housing Implementation Taskforce.

The Government will work with State and Territory governments to strengthen the national regulatory framework for community housing providers in order to provide institutional investors with confidence to invest in the sector and reduce red tape for community housing providers that operate in multiple states.

From 1 January 2018, the capital gains tax discount will increase from 50 per cent to 60 per cent for qualifying affordable housing.

These measures build on the Government's 2016-17 Budget commitment to enable direct deduction of welfare payments and Commonwealth Rent Assistance from tenants, now agreed with the majority of State and Territory governments, to public and community housing associations.

The Government is also providing $6 million to The Big Issue's 'Homes for Homes' initiative which encourages homeowners and developers to donate 0.1 per cent of a property's sale price to fund new affordable housing.

Housing our most vulnerable

Providing housing for our most vulnerable Australians

Helping our Homeless

If Australians have a roof over their heads, then all of life's other challenges become a little more manageable.

To care for our most vulnerable, a new National Housing and Homelessness Agreement with the State and Territory governments will be established to deliver more affordable housing. The new Agreement will retain current funding and indexation arrangements, but require concrete outcomes.

Homelessness services will be given an additional $375 million over three years from 2018-19 in new indexed funding, to be matched by the States. This continues the Government's commitment to front line services that help Australians who are homeless, particularly our vulnerable young people and those affected by domestic and family violence.

In addition, the Government will invest $10 million over 10 years from 2017-18 in social impact projects that will deliver innovative approaches to reducing homelessness.

Promoting rent-to-buy and shared equity

The Government will work with State and Territory governments and the private sector to identify any impediments to rent-to-buy and shared equity schemes and promote the expansion of these schemes to help more low to moderate income Australians into home ownership.

"If Australians have a roof over their heads, then all of life's other challenges become a little more manageable."

The Hon. Scott Morrison MP, Treasurer