BUDGET 2016 SCOTT MORRISONS SUPER TAX TRICK

THE AUSTRALIAN MAY 4, 2016 David Crowe

A hit on the superannuation savings of high-income earners and wealthy retirees will help pay for $9 billion in tax cuts for average workers and small employers as the Turnbull government postpones major budget repair to win back voters at the July 2 election.

A surprise $1.6 million cap on tax-free retirement balances is one of the biggest twists in a budget that also scales back the amount that all workers can put into their super every year.

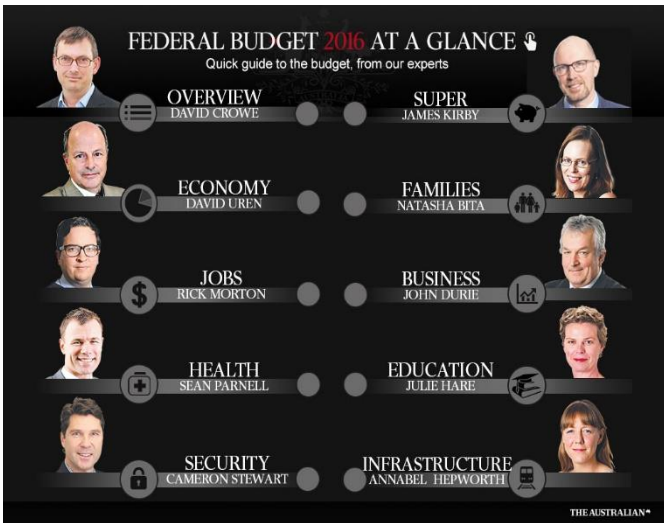
The $2.9bn increase in super taxes combines with a $3.9bn crackdown on corporate tax avoidance to fatten the commonwealth coffers, along with $3.2bn in savings from delaying controversial government policies and a $1.4bn cut to the public service.

Scott Morrison has used the tax increases on some Australians to fund tax cuts for others, while also revealing a youth employment package that promises 120,000 placements for young jobseekers.

While small business will get an immediate reduction in the company tax rate to 27.5 per cent, big business will have to wait a decade for the rate to be cut to 25 per cent.

Just hours before the release of the budget, the Reserve Bank delivered a benefit for mortgage holders with its unusual move to cut interest rates by 0.25 per cent to a record low 1.75 per cent.

In an optimistic outlook likely to be challenged by economists, the Treasurer is counting on a jump to 3 per cent real economic growth from 2017-18 to help take the budget to surplus by 2020-21.



Expert Budget 2016 analysis see below.

Mr Morrison admitted his tax cuts would give workers just $315 a year at most by helping workers on more than $80,000 a year, but he argued that this and the tax relief for 870,000 businesses were a down-payment on a bigger agenda to cut the tax burden over time. “I’m not claiming this is some great big tax cut at all — that’s not its purpose,” he said. “People will know that when we get the opportunity to cut a tax we’ll cut it.”

Yet the Treasurer’s first budget, handed down days ahead of Malcolm Turnbull formally launching the election campaign, included sweeping and politically risky increases in super taxes such as a rise in contributions tax from 15c to 30c in the dollar for workers earning more than $250,000 a year, copying a Labor policy. The amount all workers can put in their funds out of their pre-tax income — known as the concessional cap — will fall from $30,000 to $25,000 a year in a highly controversial move that limits the scope for all workers to build up their retirement nest eggs.

But the hit to the Coalition's own electoral base was a $1.6m "transfer balance cap" that imposes bigger taxes on sums above that amount. Those with big accounts will have one year from July 1 to get their balances below $1.6m or face bigger taxes, while a separate $500,000 lifetime non-concessional contributions cap will also restrict the size of retirement savings.

Mr Morrison aimed to quell a political backlash to the super changes by using his televised budget speech last night to assure voters that current and former politicians and public servants would face higher taxes on their nest eggs as well. The tough new rules curtail the excesses of the generous super regime opened up by Peter Costello a decade ago and were described as "moderate" last night by Seniors Australia but are provoking concern from the Financial Services Council and other groups that fear the rules will make super less attractive and force more people on to the Age Pension.

The federal budget reveals deficits of $118.5bn over the four years to June 2019 compared to an estimate of $108.3bn last December for the same period, a $10.2bn setback that is mostly the result of another blow to the government's revenue forecasts.

The deficit for next financial year is now forecast to be $37.1bn compared to $33.7bn in last December's budget update, a deterioration of $3.4bn.

Highlighting years of failure in scaling back the deficits, the coming year's deficit is now likely to be almost twice the $17.7bn prediction for the same year when Joe Hockey unveiled his first budget statement as treasurer in late 2013 — an outlook that was criticised at the time for being too grim.

Labor launched a fierce response last night, attacking the tax cuts and using the bigger deficits as a reason to keep the 2 per cent deficit levy on workers earning more than $180,000 a year, reversing Labor's own vote to end it on June 30 next year. Signalling a huge election fight on tax, Labor Treasury spokesman Chris Bowen also attacked the extension of a company tax cut to businesses with turnover of $10m, rising to $100m over time. Mr Morrison declared fiscal pressures proved the nation faced a spending problem rather than a revenue problem, yet the budget papers showed policy decisions resulted in a net improvement to the budget bottom line of just $1.7bn over four years.

The Treasurer cited the need to spend $1.2bn on schools and $2.9bn on hospitals, rather than the federal election, as the reason the spending cuts were not greater. In a sign the government has put money away for the campaign, the budget included $2.1bn in savings measures decided but not announced, with the biggest savings coming in 2020. Another $1.6bn in spending decisions were taken but not announced, with the money set to flow as early as this year.

Other parts of the budget show the government will give up about $432.4m in tax revenue, such as by offering tax concessions. All decisions taken but not announced must be revealed before the pre-election fiscal outlook is released 10 days into the election campaign.

Mr Morrison labelled the budget a "new economic plan" for difficult times, scaling back the economic growth forecast from 2.75 per cent to 2.5 per cent for next financial year.

The unemployment rate is expected to improve compared to the official forecasts last December, holding at 5.5 per cent over the four years to 2020, rather than hitting 6 per cent next year. The long-term forecasts show nominal growth rising fast next year, helping to produce smaller deficits. Mr Morrison defended the Treasury forecasts by noting that Australia would continue to benefit from its proximity to Asia, the fastest-growing region in the world. "Yes, we are optimistic but I don't think unrealistically so."

Deloitte Access Economics director Chris Richardson described the budget forecasts as close to the "consensus" view but he warned that tighter spending controls would be needed.

"It's good for an election year. It doesn't solve the budget problem," he said.

The business tax changes are the biggest single package in the budget, giving help to small and medium businesses and ensuring that unincorporated businesses are better off when they cannot get the benefit of a lower company tax rate. The company tax rate will fall from 28.5 per cent to 27.5 per cent for small businesses and the group that qualifies for the lower rate will be expanded from those with turnover of $2m to a new benchmark of $10m.

"This will mean 870,000 businesses, employing 3.4 million Australians, will have their tax rate reduced," Mr Morrison said.

Unincorporated businesses will get an increase in their small business tax discount and get the benefit, along with companies, of an extension in the instant asset write-off for purchases of up to $20,000 — a popular concession to businesses with turnover of less than $10m. Mr Morrison emphasised that savings had been made for all new measures including tax cuts, the company tax reforms and the spending on hospitals and schools.

http://www.theaustralian.com.au/budget-2016/budget-2016-scott-morrisons-super-tax-trick/news-story/3991d81498aeebd9f13a5769e6a41586

EXPERT BUDGET ANALYSIS

Overview
David Crowe

Malcolm Turnbull and Scott Morrison are promising an economic revival without a fistful of dollars. The budget offers modest tax cuts for workers as well as small and medium businesses, but exposes the Coalition to Labor attacks for ignoring workers who earn less than $80,000.

The message is that the tax cuts are a down-payment on more generous cuts later — and that the Coalition can be trusted to ease the tax burden while Labor only wants to spend more money. The effort at budget repair is small, the deficits are bigger and a budget surplus remains a hopeful forecast. But an election year is no time to cut spending too hard.

Infrastructure verdict
Annabel Hepworth

The Coalition has been talking up a "record" $50 billion infrastructure program since its first budget. This budget is more of the same, despite warnings that more must be done to ease bottlenecks. Though for Malcolm Turnbull's promise to reverse an Abbott-era position by backing urban rail, he has put some money where his mouth is.

In a crucial pitch at the seven marginal seats in western Sydney, $115 million will go to the proposed airport at Badgerys Creek. But a fast-train to the site is considered a must. Instead of a concrete funding commitment for a rail line, the budget offers $26m for a "concept design". Ambitious plans for inland rail will receive an investment of up to $594m, though both sides of politics have been talking up their work on planning for the project for years.

Super verdict
James Kirby

This is a budget which targets the rich and high earners. Unfortunately, it also hits the old and those who aspire to build wealth in what are endlessly volatile markets.

For retirees — regardless of wealth levels — there is going to be a palpable sense of betrayal. Treasurer Morrison has broken a central principle of the superannuation pact... the rules around money saved in retirement had been sacrosanct.

For superannuation savers it's become very hard to build up any reasonable level of wealth especially if you are under 50.

Security verdict
Cameron Stewart

The twin threats of cyber-attacks and Islamic terrorism have led to another funding boost for Australia's spy agencies ASIO and ASIS amid a blunt warning from ASIO that Australia is fast-losing the war against cyber espionage.

On defence the government has backed up its White Paper promises with cash, spending $32.4 billion on defence in the coming year which is 1.9 per cent of GDP, putting them on track to meet its promise to raise defence spending to 2 per cent of GDP in 2020-21.

Education verdict
Julie Hare

Deregulation is dead. Christopher Pyne's politically toxic 2014 higher education reform program has now been officially killed off. A year long consultation is in its place, with a discussion paper canvassing options on how to fund burgeoning demand for university places without punishing budget estimates.

In what is a politically shrewd move, Education Minister Simon Birmingham has rid the Coalition of Pyne's notoriously slap-dash deregulation plans, buying the government some much-needed breathing space going into the election.

Ultimately, students will pay more for their degrees but in a measured and sensible approach.

Business verdict
John Durie

Scott Morrison has taken a step in the right direction but stopped well short of a revolution, except in taking the stick to top-end superannuation.

Wealth managers will be unimpressed by the $2.4 billion windback of Peter Costello's superannuation excesses which have hit the rich hard.

Big business gets the tax cuts it wants, though it will have to wait 10 years to enjoy the spoils of a 25 per cent tax rate. But at least it's a step in the right direction and small business gets $5.3 billion in tax breaks over the next four years.

The Treasurer is having another go at multinational tax evaders with a $4.9 million package of measures. Big wine companies will benefit from a crackdown on small wine producer rebates.

Health verdict
Sean Parnell

After reshaping Labor's health architecture, and slashing billions from the sector, it has come down to this: the Coalition will go to the election not responding to its critics but openly defying them.

The Medicare freeze will be extended to save another $1 billion while health practitioners will also lose money in other areas, as will the groups that serve them. This is despite Labor, the Greens and that other political force, the Australian Medical Association, rallying to 'Save Medicare' and warning patients of higher costs.

Most reviews launched by the Coalition have so far amounted to little more than trials and interim responses, or privileged discussions, amid a drawn-out frenzy of cuts.

Not a typical budget, let alone an election budget, this is Scott Morrison's dreaded second opinion of the diagnosis made by Joe Hockey: the Commonwealth spends too much on health and everyone else will feel more pain.

Jobs verdict
Rick Morton

The ideological war on the young and the unemployed is over with Treasurer Scott Morrison presiding over a budget which knows it has to help, not punish young people.

The $750 million jobs package for people under the age of 25 is significant not only because it focuses on training, paid internships and encouraging employers to hire struggling youth, but because it is mostly paid for by the near death of Abbott's hard-hitting Work for the Dole. The rationale is simple: in an economy which needs to grow the government can no longer afford, for whatever reason, to rely on a jobs program which has scarcely little evidence of working.

The jobs package wants to help 120,000 people find work over four years. It'll pay people to be interns for up to 12 weeks and those still in Work for the dole will have a year to find an actual job before being herded into the program.

Families verdict
Natasha Bita

It's foolhardy for the Coalition to be stripping $1.2bn from families at the start of an election campaign. Parents will have to wait two more years for relief from soaring childcare costs, after the government delayed its $3.5bn package of daycare subsidies by another 12 months.

The reform — announced a year ago — was supposed to save middle-income families $30 a week, so childcare costs will wipe out the promised tax cuts. Schools will get $1.2bn in bonus funding over four years. Coincidentally, that's how much the government will cut from assistance to families with children in 2016/17.

Economy verdict
David Uren

Admirable control is being achieved over government spending, but these efforts are being undone by Treasury's excessively optimistic predictions of revenue growth.

The long train of deficits is set to stretch far beyond the 2020 threshold where Treasury sees the budget swinging back into surplus. Treasury's forecasts of the economy returning to normal, with inflation and growth returning to average, are contradicted by a world where bond investors are locking funds away for a decade with zero or negative returns.

Both the economies of Australia and the rest of the advanced world are failing to generate the income and the tax revenue that they did before the financial crisis. The weakness in revenue underlines the importance of the restraint over spending, which Treasury estimates has averaged just 1.7 per cent a year above inflation over the Coalition government's three-year term.

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BUDGET 2016 A NUDGE IN THE RIGHT DIRECTION

GREG MCKENNA MAY 3, 2016 BUSINESS INSIDER

Treasurer Scott Morrison may have just delivered a perfectly pitched budget from a behavioural economics point of view with a set of measures which neatly "nudge" Australians across the broad spectrum of the economy toward the government's twin goals of jobs and growth.

The government – and specifically this budget – sets up what behavioural economists would call the "choice architecture" within which Australian business and consumers will make decisions.

US academics Richard Thaler and Cass Sunstein explain choice architecture in their 2008 book "Nudge: Improving Decisions About Health, Wealth, and Happiness" as follows:

Decision makers do not make choices in a vacuum. They make them in an environment where many features, noticed and unnoticed, can influence their decisions. The person who creates that environment is, in our terminology, a choice architect.

In an Australian context, the government and this budget are the choice architects.

Where the 2014 budget appeared to shock and disappoint the community with broken promises and tough measures, the 2016 budget unveiled by Morrison seems to be the very antithesis of its 2014 predecessor.

The 2014 budget saw consumer confidence collapse as a result of these tough measures, this 2016 document looks to deliver stimulus, and confidence in all the right places.

With the exception of negative gearing, the budget seeks, and appears to hit, all the hot buttons currently top of mind for Australian consumers and business.

The budget plans to deliver (on its own figures) :

- A tax cut for 500,000 Australians who were set to move into the 37.2% tax rate as their wage and salary hit $80,000 this year.
- A tax rate of 27.5% for around 870,000 companies with turnover of less than $10 million. The government also promises to lower this further to 25% in the next 10 years. The government will also increase access to greater tax concessions for these businesses and CGT concessions for companies with less than $2 million in turnover.

These measures will give confidence to two of the economy's big engines of growth: households and small business. It may also have a multiplier effect insofar as the very businesses that are get the fillip from the government are also in aggregate responsible for a employing a large proportion of Australia's workforce.

While these measures deal with business and consumers here and now, other measures, such as clamping down on multinational tax avoidance, and reducing superannuation benefits for Australia's top earners appear to address elements of unfairness that are embedded in the Australian tax system.

That will in turn encourage consumers and business that the economy and the government is on the right track.

Equally, whereas the 2014 budget looked harsh and sought to take the unemployed off benefits for as long as six months the 2016 budget via its $751.7 million youth jobs program PaTH – Prepare, Trial, Hire – looks to support the unemployed.

It's not a perfect plan and participants could end up with a very low hourly rate while on the program. But they could equally end up with a job at the end of it.

Either way, it is support for the unemployed not a penalty.

No budget can ever please all people all the time and the opposition is already characterising this document as one that favours the rich.

But treasurer Morrison also looked like a safe pair of hands in a manner Australians may not have seen since Peter Costello was occupying the role.

This budget and the choice architecture that the government is seeking to establish with this document for Australians is likely to drive them toward the economic outcomes the nation needs relative to where Australians were before Treasurer Morrison's announcement.

http://www.businessinsider.com.au/analysis-federal-budget-nudge-in-right-direction-2016-5?utm_source=Business+Insider+Australia&utm_campaign=3cec36f2f7-businessinsider_2016_05_03&utm_medium=email&utm_term=0_8a990bd96b-3cec36f2f7-278987445

BUDGET 2016 HERE IS WHAT YOU NEED TO KNOW

CHRIS PASH BUSINESS INSIDER MAY 3, 2016, 8:45 PM

Small businesses and middle income earners get the handouts in a federal budget that promises to control spending growth, make savings and keep chipping away at the deficit.

The targets for revenue raising are welfare cheats, multinationals avoiding tax and the wealthy who use superannuation to park cash in a low tax environment for their children to inherit.

These measures, including raising $4.7 billion over four years from more tax on tobacco, will fund further tax cuts for small business and an effective income tax cut for middle Australia.

Treasurer Scott Morrison, releasing his first budget, treads a line between being generous to voters the government is expected to face on July 2, and fiscal responsibility.

While giving on one hand, the budget still maintains a steady path to surplus. The deficit is forecast to fall to $6 billion in 2019-20, about 0.3% of GDP, from $37.1 billion in 2016-17, or about 2.2% of GDP.

Table 2: Major economic parameters(a)

	Outcomes	Forecasts			Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Real GDP	2.2	2 1/2	2 1/2	3	3	3
Employment	1.6	2	1 3/4	1 3/4	1 1/4	1 1/2
Unemployment rate	6.1	5 3/4	5 1/2	5 1/2	5 1/2	5 1/2
Consumer price index	1.5	1 1/4	2	2 1/4	2 1/2	2 1/2
Wage price index	2.3	2 1/4	2 1/2	2 3/4	3 1/4	3 1/2
Nominal GDP	1.6	2 1/2	4 1/4	5	5	5

(a) Year average growth unless otherwise stated. From 2014-15 to 2017-18, employment and the wage price index are through the year growth to the June quarter. The unemployment rate is the rate for the June quarter. The consumer price index is through the year growth to the June quarter.
Source: ABS cat. no. 5206.0, 6202.0, 6345.0, 6401.0 and Treasury.

The overall impact of policy decisions in the budget is an improvement to the bottom line of a modest $1.7 billion over the four years to 2019-20.

Real GDP is expected to hit 2.5% in 2016-17 and return to 3% in 2017-18.

A key constraint in repairing the budget is the difficulty passing legislation for savings measures. At present, $13 billion worth of spending savings and $1.5 billion of revenue increases have not yet passed the Senate.

However, the government is introducing a $9.2 billion package of reforms across company tax, small business and personal income tax.

Morrison says his budget is an economic plan, sticking to the job of creating jobs and economic growth.

“Australians know that our future depends on how well we continue to grow and shape our economy as we transition from the unprecedented mining investment boom to a stronger, more diverse, new economy,” he told Parliament.

“They know that their future, their jobs and those of their children and grandchildren depend on it. This is a very sensitive time.”

INCOME TAX

A key measure is lifting the 32.5% tax level threshold to $87,000, up from $80,000, removing 500,000 taxpayers from the 37% second top marginal tax rate.

“This is about providing room in our tax system for average full-time wage earners to earn more without being taxed more,” says Morrison.

“Of course we would like to do more, but this is what we can afford today.”

The changes to income tax will reduce revenue by $3.95 billion over the next four years, but Morrison says they are fully offset by other measures.

SMALL BUSINESS

Under a 10-year plan, the corporate tax rate will be reduced for all to 25% from 30%.

As in last year’s budget, small business is getting another tax cut, a $20,000 fully tax deductible equipment purchase and the definition of those businesses getting benefits is being widened.

From 1 July, the small business tax rate will be lowered by 1% to 27.5% and the turnover threshold for small businesses able to access it will be increased to $10 million from $2 million.

About 870,000 businesses, employing 3.4 million Australians, will get the tax cut.

Also, from July the instant write off for equipment purchases of up to $20,000 will apply for a year to businesses with a turnover of less than $10 million.

Businesses with a turnover of less than $10 million will also be able to access other tax incentives, including the small business depreciation pooling provisions, simplified trading stock rules and Pay-As-You-Go tax instalments payments option.

And the plan is to keep reducing the tax rate for other small businesses by widening the qualifying definition in subsequent years, as well as eventually getting the rate lowered to 25% for all companies.

The lower company tax rate of 27.5% will apply to businesses up to $25 million in turnover in 2017-18, to $50 million in 2018-19 and $100 million in 2019-20.

By 2020 more than half of all employees in Australia will be in companies paying a lower tax rate of 27.5%. That's around 4.9 million employees.

The second phase of the government's 10-year enterprise tax plan will extend the lower tax rate of 27.5% to all businesses by 2023-24 and then cutting the rate to 25% for all by the end of 2026-27.

SUPERANNUATION

The wealthy are the target of adjustments to superannuation concessions and the savings will be $2.9 billion over the next four years.

The higher tax rate of 30%, instead of the concessional 15%, will now apply to the contributions of those earning more than $250,000 annually, $50,000 less than the current $300,000 threshold.

A lifetime non-concessional contributions cap of $500,000 is being applied from tonight and there will be an annual cap on concessional superannuation contributions of $25,000.

The maximum which can be moved into the pension phase of super is now capped at $1.6 million. The government says $1.6 million can support an income stream in retirement of four times the level of the single age pension.

The balance cap will be applied to both current retirees and to individuals yet to enter their retirement phase.

Morrison says the transfer balance cap, lifetime non-concessional cap and the 30% contributions tax for those on high incomes will each affect less than 1% of superannuation fund members.

Low income earners will benefit from an offset from July 2017 that ensures those getting less than $37,000 a year are not paying more tax on their superannuation than they are on their income. They will effectively get a rebate on tax paid up to a maximum $500.

MULTINATIONAL TAX AVOIDANCE

A new taskforce of more than 1,000 specialist staff at the Australian Tax Office (ATO) is being formed to prosecute companies, multinationals and high wealth individuals not paying the tax they should.

This crackdown will use the new powers and penalties introduced in December to ensure multinationals pay tax on what they earn in Australia.

The latest measures include a diverted profits tax, similar to UK legislation, to tax multinationals on income they have sought to shift offshore at a penalty rate of 40%.

Protections for whistleblowers who come forward and report tax avoidance will be strengthened and there will be penalties for multinationals failing to meet their compliance and disclosure obligations to the ATO.

These are forecast to raise an additional $3.9 billion over four years.

JOBS

Morrison announced new programs, costing $751.7 million over the next four years, to get vulnerable young people into jobs.

One of them is called Youth Jobs Path –Prepare, Trial, Hire.

“Australian businesses, especially small businesses, have told me they want to give young people a go, but we need to do more to get young people ready for a job, so businesses don’t carry all the risk and cost,” Morrison says.

From April next year, young job seekers will participate in intensive pre-employment skills training within five months of registering with job active.

The first three weeks of training will focus on skills such as working in a team, presentation, and appropriate IT literacy. A further three weeks of training will centre on advanced job preparation and job hunting skills.

The government will also introduce an internship programme with up to 120,000 placements over four years to help young job seekers who have been in employment services for six months or more.

http://www.businessinsider.com.au/federal-budget-2016-5?utm_source=Business+Insider+Australia&utm_campaign=3cec36f2f7-businessinsider_2016_05_03&utm_medium=email&utm_term=0_8a990bd96b-3cec36f2f7-278987445

ADDITIONAL BUDGET 2016 ANALYSIS

The government has introduced a $50 billion infrastructure plan

The federal government plans a record $50 billion in infrastructure spending up to 2019-20.

The details of Australia's 'Google tax' crackdown on multinationals

The 2016 federal budget confirms the government is throwing more resources at its crusade to get multinationals paying "their fair share" of tax on income earned in Australia.

The income tax changes

Changes to the tax tables by moving the threshold at which the 37% rate kicks in will mean a saving about $315 for someone earning $87,000.

The economic forecasts vital to ensuring Scott Morrison's budget goes to plan

Treasury sees real GDP growth of 2.5% in 2016/17 before accelerating to 3.0% in 2017/18, levels at-or-around what many deem to be Australia's new trend growth rate.

Defence spending 'will create high-tech jobs'

The 20-year defence industry plan in the budget shows 3,600 direct jobs as part of the naval shipbuilding program and makes significant investments in defence capability and cyber security.

People are outraged by the federal budget's internship program which pays $4 an hour (on top of existing payments)

"Real work for the dole".

BUDGET 2016: The NBN's costs could blow out even more - and it's fast running out of money

The NBN is running out of money, with its final $8.8 billion of public funding set to be delivered by the end of the 2016/17 financial year, the 2016 federal budget reveals.

Treasury sees iron ore at US$55 a tonne next year

One of the key numbers many look for in the budget is the forecasts for the iron ore price, an understandable outcome given its importance to budget revenues as Australia's most valuable goods export.

There's a really shocking plan for when you have to repay HECS debts hidden in the Budget

University fees for popular courses are set to rise dramatically with the Turnbull government introducing partial deregulation it's dubbed "alternative model flexibility".

Australia’s fintech industry gets a sandbox in the budget

The federal budget acknowledges the growth of Australia’s growing fintech industry disrupting the financial services sector. And $200,000 has been budgeted to promote Australia as a fintech development centre.

SCOTT MORRISON'S 2016 BUDGET SPEECH IN FULL

OLIVIA CHANG MAY 3, 2016

Treasurer Scott Morrison has handed down his first budget.

Here's his speech in full:

Thank you Mr Speaker, I move that the Bill now be read a second time.

Mr Speaker, this cannot be just another budget, because these are extraordinary times.

This Budget is an economic plan, it's not just another budget.

Australians know that our future depends on how well we continue to grow and shape our economy as we transition from the unprecedented mining investment boom to a stronger, more diverse, new economy.

They know that their future, their jobs and those of their children and grandchildren depend on it. This is a very sensitive time.

Australians have clearly said we must have an economic plan to make this economic transition a success.

This economic plan is the foundation on which we can build a brighter, more secure future, in a stronger, new economy with more jobs.

This Budget delivers our economic plan in three key ways.

First, by sticking to our plan for jobs and growth.

Tonight I will announce a growth friendly, ten year enterprise tax plan to boost new investment, create and support jobs and increase real wages, starting with tax cuts and incentives for small and medium-sized enterprises.

We will continue our investment in our national innovation and science agenda – to create our own ideas boom, in every city, in every town, in every factory, farm, shop and office – including support for new start-up businesses.

Through our twenty year defence industry plan, we will secure an advanced local defence manufacturing industry, driving new high-tech jobs in Australia, including 3,600 direct jobs as part of the Government's naval shipbuilding plan.

More export opportunities will be opened up by following through on our export trade agreements that are already delivering new jobs and markets for Australian producers, manufacturers and service providers right across the country.

And I will announce tonight a new initiative to help more than 100,000 vulnerable young people into jobs, to be part of our growing economy by giving them real work experience with real employers that lead to real jobs.

Second, by fixing specific problems in our tax system so we can sustainably cover the Government's responsibilities for the next generation.

This means combating tax avoidance, especially by multinationals, with new measures to ensure everyone pays the tax they should on what they earn in Australia, not avoid tax by shifting their profits offshore.

I will announce how we will close off generous superannuation tax concessions for Australia's most wealthy and better target these tax concessions to hard working Australians saving and investing for their retirement so as not to be dependent on the age pension.

And we will give hard working Australians, and the thousands of Australian businesses that employ them, some tax relief so when they earn more, they won't be taxed more.

And third, by continuing to ensure the Government lives within its means, to balance the budget and reduce the burden of long term debt.

In this Budget we will continue to cut unnecessary waste and keep Government spending under control to balance the budget over time.

We will continue to target welfare abuse to protect our social safety net and ensure it is there for Australia's most vulnerable, in particular those with disabilities.

And we will continue to responsibly invest in infrastructure like roads, rail, dams and public transport and guarantee real, affordable funding for health and education services that Australians rely on.

The Turnbull Government understands the economic challenges that Australia faces. This Budget is a practical, targeted and responsible economic plan that meets these challenges by clearing the way for jobs and growth, in a stronger, more diversified new economy.

It is the right plan. We have spent time getting it right because it is such an important foundation for everything else.

It is also a fully funded, affordable and sustainable plan.

This is important because hard working Australians and their families know that when Governments make promises with money that's not there, they either end up being let down or left with the bill.

This Budget keeps us on a sustainable path to bring the budget back into balance.

The deficit in underlying cash balance terms is expected to reduce from $39.9 billion in 2015-16 to $37.1 billion, or 2.2 per cent as a share of the economy in 2016-17. The deficit is then projected to fall to $6.0 billion or just 0.3 per cent of GDP over the next four years to 2019-20.

We are achieving this by policies that continue to control spending.

Any increases in tax revenue as a result of measures contained in the budget have been re-invested back into lower taxes, not towards fuelling unsustainable higher spending.

Our new spending commitments have been more than offset by our disciplined restraint and better targeting of spending in other areas.

Payments as a share of our economy will fall from 25.8 per cent in 2015-16 down to 25.2 per cent in 2019-20. At the same time there is no increase in the projected tax burden as a share of the economy, compared to the 2015-16 Budget.

This is not a time to be splashing money around or increasing the tax burden on our economy or hardworking Australians and their families. Such policies are not a plan for jobs and growth, they simply put our successful economic transition at risk.

I now turn to some of the specific initiatives of our economic plan that are delivered in this year's budget.

Tonight, we announce a ten year enterprise tax plan to support jobs and growth.

Small and medium businesses are driving jobs growth in Australia and must continue to do so.

They are also overwhelmingly Australian owned and more likely to reinvest their earnings in future growth, as they seek to build their businesses.

A tax on their businesses is a tax on their enterprise and the jobs they provide.

That is why last year, we announced a 1.5 percentage point reduction in the tax rate for small businesses with a turnover of less than $2 million per year.

Tonight we go further and share the ambition for smaller businesses to become bigger businesses.

From 1 July this year, the small business tax rate will be lowered to 27.5 per cent and the turnover threshold for small businesses able to access it will be increased from $2 million to $10 million. This means businesses with a turnover of less than $10 million will also be able to access other tax incentives, including the small business depreciation pooling provisions, simplified trading stock rules, and Pay-As-You-Go Instalments payments option.

This will mean 870,000 businesses, employing 3.4 million Australians, will have their tax rate reduced, including a 2.5 percentage point cut in the tax rate for up to 60,000 businesses with a turnover between $2 million and $10 million, employing around 1.5 million Australians.

At the same time we will also increase the unincorporated small business tax discount to 8 per cent and extend the threshold from a turnover of $2 million to less than $5 million.

Also, from 1 July 2016 we will extend access to instant write off for equipment purchases of up to $20,000 that will expire on 30 June 2017, to businesses with a turnover of less than $10 million.

But we don't want these businesses to stop there.

Each year we will continue to step up the turnover threshold for access to the lower company tax rate of 27.5 per cent for more businesses, from $10 million to $25 million in 2017-18, to $50 million in 2018-19 and $100 million in 2019-20.

This will mean by 2020 more than half of all employees of companies in Australia will be in companies paying a lower tax rate of 27.5 per cent. That's around 4.9 million employees, whose jobs will be supported by a lower tax rate in just four years.

Phase two of our ten year enterprise tax plan will extend the lower tax rate of 27.5 per cent to all businesses, by continuing to step up the threshold each year until 2023-24, before reducing the 27.5 per cent rate for all businesses to 25 per cent at the end of ten years in 2026-27. This is an important measure in securing our future prosperity.

We will not be able to rely on our natural advantages in resources to secure the jobs of the future like we have in the past. If we wish to continue to see our living standards rise with more jobs and higher wages, we need to ensure our tax system encourages investment and enterprise.

Australia has the seventh highest company tax rate of the 34 OECD countries and it is much higher than our neighbours in the Asian region.

These measures will reduce revenue by $5.3 billion over the next four years. This reduction is fully offset by the increased revenue derived from the revenue and integrity measures in the Budget.

Tonight we will back in average full-time wage earners by preventing them from moving into the second highest tax bracket.

From 1 July this year, we will increase the upper limit for the middle income tax bracket from $80,000 to $87,000 per year.

Those earning average wages – full-time or otherwise – should stay in the middle income tax bracket.

This will stop around 500,000 taxpayers from facing the 37 per cent second top marginal tax rate in each and every year.

This is about providing room in our tax system for average full-time wage earners to earn more without being taxed more.

Of course we would like to do more, but this is what we can afford today.

This change also builds on the tax cuts provided to those on incomes of less than $80,000 to compensate for the carbon tax. By abolishing the carbon tax and keeping the tax relief in our first budget we delivered a genuine tax cut for those earning up to $80,000 a year.

And we will not remove or limit negative gearing – that would increase the tax burden on Australians just trying to invest and provide a future for their families.

Those earning less than $80,000 a year in taxable income make up two thirds of those who use negative gearing. They are teachers, nurses, police officers, defence force personnel, office workers and tradespeople.

We do not consider that taxing these Australians more on their investments, including increasing their capital gains tax, and undermining the value of their own home and investments is a plan for jobs and growth.

While these are modest changes to our personal income tax system, they are important. They are affordable. They are not funded by higher deficits or higher borrowing.

This modest tax relief demonstrates that wherever possible we prefer to leave a dollar in Australians' pockets than take it for the Government's pocket, because we know that it is money in your pocket that can help you and your family most.

These changes, which will reduce revenue by $3.95 billion over the next four years are again fully offset by the revenue and integrity measures contained in the Budget.

To increase revenues we will crack down further on multinational tax avoidance.

Everyone has to pay their fair share of tax, especially large corporates and multinationals, on what they earn here in Australia.

The Turnbull Government has been listening to the Australian people on this issue and taking action.

Last December, despite opposition, we secured the passage of world leading multinational tax avoidance laws. The new powers and penalties in these laws are now in place and supporting the Australian Taxation Office to ensure multinationals pay tax on what they earn in Australia.

However, we need to do more.

Tonight I announce that these new laws will be backed up by a new operational taskforce of more than 1,000 specialist staff in the ATO to police and prosecute companies, multinationals and high wealth individuals not paying the tax they should.

This will be added to new measures to combat multinational tax avoidance which include:

- embracing a new diverted profits tax, as implemented in the United Kingdom, that taxes multinationals on income they have sought to shift offshore at a penalty rate of 40% that is higher than the current company tax rate;
- strengthening the protections for whistleblowers who come forward and report tax avoidance; and
- increasing penalties for multinationals that fail to meet their compliance and disclosure obligations to the ATO.

These measures will raise an additional $3.9 billion in revenue over the next four years, helping us to reduce the tax burden on hard working Australians and small business.

Tonight we also announce changes to better target superannuation tax concessions.

Together with raising your children and owning your own home, becoming financially independent in retirement, free of welfare support, is one of life's great challenges and achievements.

We need to ensure that our superannuation system is focussed on sustainably supporting those most at risk of being dependent on an Age Pension in their retirement, which is the purpose of these concessions.

While protecting the overall architecture of our superannuation system, including retaining the tax-free status of retirement accounts, from 1 July 2017 we will be reducing access to generous superannuation tax concessions for the most wealthy by:

• introducing a transfer balance cap of $1.6 million on amounts moving into the tax-free retirement phase, with balances able to increase above this cap, on account of tax free earnings, once transferred;
• extending the 30 per cent tax on concessional contributions to those earning over $250,000;
• reducing the annual cap on concessional superannuation contributions to $25,000; and
• from tonight, establishing a lifetime non-concessional contributions cap of $500,000.

A balance of $1.6 million can support an income stream in retirement around four times the level of the single Age Pension. The transfer balance cap will be applied to both current retirees and to individuals yet to enter their retirement phase.

The transfer balance cap, lifetime non-concessional cap and the 30 per cent contributions tax for those on high incomes will each affect less than one per cent of superannuation fund members.

A concessional contributions cap of $25,000 per annum will affect just three per cent of superannuation fund members, particularly those who pay the top rate of income tax.

Commensurate measures will also be applied to high income earners with defined benefit arrangements, including current and former politicians and public servants.

In addition to tightening access to tax concessions, the Government will also be introducing a Low Income Superannuation Tax Offset from 1 July 2017, to ensure that people earning less than $37,000 are not paying more tax on their superannuation than they are on their income.

This will effectively allow individuals with an adjusted taxable income of up to $37,000 to receive a refund into their superannuation account of the tax paid on their concessional contributions, up to a cap of $500.

The Low Income Superannuation Tax Offset will, in particular, assist around 2 million low income women to build their superannuation savings.

At the same time we will increase flexibility and choice in superannuation to support how people work and save in our modern economy by:

• allowing more employees and a wider range of self-employed people to claim a tax deduction for personal superannuation contributions;
• encouraging partners to make contributions to their low-income spouses' superannuation by extending the eligibility for individuals to claim a tax offset for these contributions;
• removing the current regulations that restrict people aged between 65 and 75 from making contributions to their superannuation. This will assist those who are no longer working to top up their retirement savings from sources not necessarily available to them before retirement;

and
• allowing people to rollover unused concessional caps so those with interrupted work arrangements – predominantly women and carers – are not prevented from making catch-up contributions to their super, if they are in a position to do so.

Ninety-six per cent of Australians with super will be unaffected by or be better off as a result of the superannuation changes we have announced tonight.

The net impact of changes to superannuation announced in these measures will be a net gain of $2.9 billion over the next four years.

In other revenue measures, we will implement a further four annual 12.5 per cent increases in tobacco excise, with the first increase to take effect on 1 September 2017.

The net impact of the tobacco measures will raise $4.7 billion over the next four years.

Harnessing the power of innovation and entrepreneurship, to create our own ideas boom, lies at the heart of our plan to support jobs and growth in a stronger new economy.

As part of our national innovation and science agenda we are backing co-investment in new spin-offs and starts-ups created by Australia's research institutions, through the CSIRO. We are also expanding the CSIRO's accelerator programme to support public research bodies get up to speed and achieve commercial success.

Reforms to employee share schemes and crowd-sourced equity funding will make it easier for start-ups to raise capital and our changes to company tax loss arrangements will make it easier for existing businesses to reinvent themselves.

Big improvements in the nation's defence capability also support innovation and skills development in advanced technologies.

Through the 2016 Defence White Paper we have made the decisions necessary to establish a pipeline of work that will secure an advanced defence manufacturing industry here in Australia, driving new high-tech jobs for decades.

The nine future frigates, 12 offshore patrol vessels and 12 new regionally superior submarines will do the job of boosting our defence capability, but they will also drive jobs and growth in the new economy we are building – not just in the ship yards in Adelaide and Perth, but right across the supply chain of our national economy.

This Budget also invests in public private partnerships through our Cyber Security Strategy to back Australian businesses to develop and promote their cyber security capabilities globally.

So often successful technology ventures have started by solving a complex problem for governments.

That is why these investments are not just about national security but are an important part of our economic plan for Australia for jobs and growth.

In this Budget we continue to roll out our $50 billion national infrastructure plan to support economic growth.

We know that an inland rail link will help to integrate domestic markets and bring global export markets closer to home. This is particularly important to leverage the benefits of our export trade agreements for Australian agriculture.

That is why the Turnbull Government will take the next step to realising an integrated inland rail link connecting Brisbane and Melbourne.

In this Budget we are providing $594 million in additional equity to the Australian Rail Track Corporation for land acquisition and the continuation of pre-construction works and due diligence activities.

The Government will also establish a $2 billion Water Infrastructure Loan Facility which will catalyse new investment in dams and pipelines across Australia, building on the existing National Water Infrastructure Development Fund and the Northern Australia Infrastructure Facility.

Around 180 other major projects are under construction or in the pre-construction stage, including the Midland, Bruce and Pacific Highways. In this Budget we are adding new commitments for the Ipswich Motorway, Monash Freeway, Murray Basin Freight Rail and the Perth Freight Link.

The Government has finalised or committed to agreements with four states and territories under the Government's Asset Recycling Initiative, worth $3.3 billion, which will catalyse $23 billion in additional infrastructure investment in projects including the Sydney and Melbourne Metro projects, light rail in Parramatta, regional road and rail freight corridors across NSW and Victoria, and flood mitigation works in the Northern Territory.

Most importantly, our economic plan for jobs and growth will help young Australians get real jobs.

In 2012, 12 per cent of Australian children aged under 15 were growing up in jobless families.

We must do better than this. We must try new approaches, not just keep doing the same old thing. And we must keep trying until we get it right.

Tonight I announce an ambitious new attempt to get vulnerable young people into jobs called Youth Jobs PaTH – Prepare, Trial, Hire.

Australian businesses, especially small businesses, have told me they want to give young people a go, but we need to do more to get young people ready for a job, so businesses don't carry all the risk and cost.

And it's a two way street. Young people have told me how they need people to get alongside them to help them to develop the confidence, skills, attitudes and behaviours that are expected by employers so they can get a job and stay in a job, because that is what they want.

This is what Youth Jobs PaTH is designed to do – it is not just another training programme. From 1 April 2017, young job seekers, who need to boost their job-readiness, will participate in intensive pre-employment skills training within five months of registering with jobactive.

The first three weeks of training will focus on skills such as working in a team, presentation, and appropriate IT literacy. A further three weeks of training will centre on advanced job preparation and job hunting skills.

In stage two, the Government will introduce an internship programme with up to 120,000 placements over four years to help young job seekers who have been in employment services for six months or more to gain valuable work experience within a real business.

Job seekers and businesses, with the help of jobactive providers, will be able to work together to design an internship placement of 4 to 12 weeks duration, during which the job seeker will work 15 to 25 hours per week.

In addition to gaining valuable hands on experience in a workplace, job seekers will receive $200 per fortnight on top of their regular income support payment while participating in the internship. This is real work for the dole.

Businesses that take on interns will receive an upfront payment of $1,000, and will also benefit from the opportunity to see what a young worker can do and how they fit in to the team before deciding whether to offer them ongoing employment.

In stage 3, Australian employers will be eligible for a Youth Bonus wage subsidy of between $6,500 and $10,000, depending on the young person's job readiness. These subsidies are just a smarter way of leveraging what you'd otherwise spend on Newstart and other welfare payments.

Businesses will have the flexibility to employ young job seekers either directly, through labour hire arrangements, or combined with an apprenticeship or traineeship.

In addition to these changes, existing wage subsidies including those for parents, Indigenous, mature age, and the long-term unemployed will be streamlined, making them easier for employers to access.

All of these initiatives will cost $751.7 million over the next four years, and are fully funded from savings in other employment programmes, including better targeting work for the dole.
It is worth trying new ways to get young people into real jobs.

The cost of not doing so resigns thousands of young Australians to a lifetime of welfare dependency. In addition to the financial cost, the social and human cost is too great for our country to ignore.

That is why the Youth Jobs PaTH is such an important part of the Turnbull Government's economic plan for jobs and growth.

Finally, our strong plan to keep spending under control means we can afford to guarantee support for hospitals and schools and protect our strong social safety net for the most vulnerable.

We have already announced we will provide an estimated additional $2.9 billion over three years for public hospital services. The additional funding is linked to reforms that focus on improving patient safety and the quality of services, and reducing avoidable hospitalisations.

The Government will also deliver a new approach to funding essential dental services for children and low income adults.

The Commonwealth effectively provides around 53 per cent of education expenditure by States and Territories, once Commonwealth general revenue assistance is taken into account. Between 2018 and 2020, the Commonwealth will also provide $1.2 billion in additional funding for government and non-government schools.

This funding will grow by 3.56 per cent and enrolments each year, and will be contingent on reform efforts from the States and non-government schools sector to get better outcomes for students and parents.

To meet the future costs of the National Disability Insurance Scheme we are establishing an NDIS Savings Fund. This fund will hold unspent funds from the NDIS as well as the proceeds of savings measures from better targeting our welfare spending. These funds can then be reinvested back into delivering the NDIS and contribute to filling the current funding gap that exists.

Australians know it is no easy task to secure jobs and growth in a highly competitive, volatile and uncertain global economy.

Despite the challenges and the naysayers, we are already making it happen.

Our economy last year grew by almost $40 billion and added almost 300,000 jobs.

Since the last election more than 440,000 jobs have been created. Unemployment has fallen to 5.7 per cent, and youth unemployment is lower than it was at the last election, including more than 50,000 new jobs created for young people in the last eighteen months alone.

At three per cent, our economy has grown faster than the world's major advanced economies, faster than the United Kingdom, the United States, Japan and Germany. We are growing more than twice as fast as Canada, faster than New Zealand and Singapore, and matching it with economies like South Korea.

Given the international headwinds and fragility, this is an achievement of which we should all be proud.

So like the Australian people, we are upbeat and optimistic, even though some Australians are feeling the transition more acutely in some parts of the country than others.

We also know we have the opportunity to do more by accessing the largest and fastest growing economies in our own region, namely China and India.

Australians are already seizing their opportunities. The economic plan we have announced tonight will back them in to do more.

At such a sensitive time none of us can become complacent or make decisions that could put our successful transition at risk. There is too much at stake.

That's why we must stick to our national economic plan for jobs and growth, fix the problems in our tax system so we can cover our responsibilities for the next generation and ensure the

Government lives within its means, just like Australians are doing in their homes and in their businesses.

This is the right plan for Australia to overcome the challenges of economic transition and to clear a path for long-term growth and jobs in a stronger, new economy.

Having set this critical direction and having laid out this plan, we must now commit to stay the course. The future of all Australians and their families depend on it.

So let's get this clear, in short here are the components to our plan:

1. An innovation and science programme for start-up businesses;
2. A defence plan for local hi-tech manufacturing and technology;
3. Export trade deals to generate new business opportunities;
4. Tax cuts and incentives for small business and hard working families;
5. A sustainable budget with crackdowns on tax avoidance and loopholes; and
6. Guaranteed funding for health, education and roads.

Accordingly, Mr Speaker I commend the Turnbull Government's economic plan for jobs and growth and this Bill to the House.

http://www.businessinsider.com.au/heres-scott-morrisons-2016-budget-speech-in-full-2016-5?utm_source=Business+Insider+Australia&utm_campaign=3cec36f2f7-businessinsider_2016_05_03&utm_medium=email&utm_term=0_8a990bd96b-3cec36f2f7-278987445