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The Courier

Information and Advice for NSW Transport Operators

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Contents

1. 2016-17 Federal Budget Highlights
2. Reserve Bank of Australia Interest Rate Cut

2016-17 Federal Budget Highlights

Federal Treasurer, Scott Morrison, handed down the first Turnbull Government Budget for 2016-17 on 3 May.

The following are highlights from the 2016-17 Budget:

2016-17 Economic Outlook

GDP	2.5%
Household Consumption	3.0%
Dwelling Investment	2.0%
Total Business Investment	-5.0%
CPI	2.0%
Wage Price Index	2.5%
Employment Growth	1.75%
Unemployment Rate	5.5%

Budget Overview

Deficit	\$37.1 billion (2.2% of GDP)
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Major Announcements

- Company tax rate cut to 27.5% for small businesses with an annual turnover of up to \$10m from 1 July 2016. This company tax rate will remain unchanged until 2023-24 but the maximum annual turnover threshold will progressively increase to all businesses over this time frame. The company tax rate will then be reduced to 25% by 1 July 2026.
- \$20,000 instant asset write off scheme extended to 30 June 2017 for small businesses with an annual turnover of up to \$10m.
- Increase in the 32.5% marginal tax rate PAYE threshold from \$80,000 to \$87,000.
- Employers to receive a \$1,000 per intern placement where the intern is placed for between four and twelve weeks. Interns to receive \$200 per fortnight from their host employer.
- A raft of changes to superannuation, including:

- A limit of \$1.6m that an individual can transfer into the retirement income stream phase from 1 July 2017. Any amount exceeding \$1.6m to be maintained in an accumulation phase account.
- A lifetime non-concessional contributions cap of \$500,000 for all Australians under the age of 75 with immediate effect (7.30pm, Tuesday, 3 May 2016). This new cap will take into account all non-concessional contributions made after 1 July 2017. This means it will apply retrospectively.
- Reduction in the individual annual concessional contribution cap to \$25,000 from 1 July 2017 regardless of age.
- Reduction in the 30 per cent taxable concessional contributions threshold for an individual's 'income' to \$250,000 from 1 July 2017.
- Introduction of a Low Income Superannuation Tax Offset (LISTO) from 1 July 2017. Like the current low income superannuation contribution, a government payment of up to \$500 which is available to individuals with an 'income' of less than \$37,000 per year will apply under LISTO.

Major Announcements – Transport Portfolio

- An additional \$15.6m previously allocated to the Road Safety Remuneration Tribunal has been reallocated to the National Heavy Vehicle Regulator.
- A total of \$594m has been allocated to the Melbourne-Brisbane inland rail project for property acquisition and associated pre-construction work.

Details of allocations to road and other infrastructure projects in NSW will be provided following the release of the NSW Budget on 21 June.

Reserve Bank of Australia Interest Rate Cut

The Governor of the Reserve Bank of Australia announced on 3 May that the Board of the RBA has agreed to lower the cash rate by 25 basis points from 2 per cent to 1.75 per cent effective 4 May.

A media release issued by the RBA on 3 May referred to lower than expected inflationary pressures as a factor in the RBA Board's decision. The media release also stated that:

- Global growth is slower than expected.
- Australia's terms of trade remain much lower than they have been in recent years.
- Uncertainty about the global economic outlook and policy settings in major economies continues.
- There is a lower outlook for inflation than previously forecast driven by subdued growth in labour costs and very low cost pressures elsewhere in the world.
- Risks of price pressures in the housing market are less than they were a year ago.
- Easing monetary policy (lowering the cash rate) will enhance the prospects of sustainable economic growth and returning inflation to the target 2% to 3% band.