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# *The Courier*

*Information and Advice for NSW Transport Operators*

## **Newsletter Vol. 4 No. 5: Federal Budget Edition 9 May 2018**

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### **The Big Picture**

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Federal Treasurer, Scott Morrison, handed down the 2018-19 Budget on 9 May. The following are big picture highlights:

<b>Economic Indicator</b>	<b>Economic Outlook, 2018-19 (%)</b>	<b>Trend from 2017-18</b>
GDP	+3.0	Up from 2.75%
Household Consumption	+2.75	Unchanged
Dwelling Investment	+1.5	Up from -3.0%
Total Business Investment	+3.0	Down from +4.5%
CPI	+2.25	Up from 2.0%
Wage Price Index	+2.75	Up from 2.25%
Employment Growth	+1.5	Down from 2.75%
Unemployment Rate	5.25	Down from 5.5%

#### **Budget Overview**

Deficit \$14.5 billion (0.8% of GDP)

The Budget is forecast to return to surplus in 2019-20.

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### **Major Announcements Affecting Business**

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The 2108-19 Budget contains the following major announcements:

## Business Taxes

- Businesses with an annual aggregated turnover of up to \$10 million per annum can **immediately write off depreciable items** valued at up to \$20,000.
- Introduction of **integrity measures to discourage land owners from holding vacant land through 'land banking'**. From 1 July 2019, income tax deductions will be denied for expenses associated with holding vacant land, such as interest expenses and council rates. Exclusions will be available where:
  - A property has been constructed on the land, it has received approval to be occupied and it is available for rent.
  - Where the land being is used by the owner to carry on a business, including a business of primary production.
- From 1 July 2019, taxpayers will be **unable to claim tax deductions for wage and contractor payments they make where they have not withheld tax under the Pay-As-You-Go (PAYG) withholding regime when required to do so under the PAYG regime**. This can occur where **taxpayers make payments to employees (and thus fail to withhold PAYG) or make payments to contractors who do not quote an ABN (and thus fail to withhold PAYG)**. To ensure taxpayers meet their obligations under PAYG, it is necessary to:
  - Correctly identify all circumstances where an obligation to withhold tax arises. This includes correctly identifying all persons who should be treated as employees (notwithstanding their purported treatment as contractors). It also includes instances where:
    - Tax must be withheld on foreign employees working in Australia or when Australians are working overseas on international assignments.
    - It is also imperative taxpayers identify those contractors who have not quoted ABNs to ensure that tax is withheld as required.
- Thin capitalisation rules will be amended by requiring entities to **align the value of their assets for thin capitalisation purposes with the value included in their financial statements** and to ensure asset valuations used to justify debt deductions are 'robust' insofar as accounting principles are concerned.
  - Foreign controlled Australian consolidated entities and multiple-entry consolidated groups that control a foreign entity are treated as both outward and inward investment vehicles for thin capitalisation purposes. This means inbound investors can no longer access tests that were only intended for outward investors.

## Personal Taxes

- **Personal income tax relief for all PAYG taxpayers earning up to \$125,333 per annum** from 1 July 2018.
  - The maximum amount of tax relief is \$530 per annum for PAYG taxpayers earning between \$48,000 and \$90,000 per annum.
  - Increase in upper limit of 32.5 per cent marginal rate of PAYG tax threshold from \$87,000 to \$90,000.
  - Further reforms announced applying to PAYG taxpayers out to 2024-25.

## Superannuation Measures

- **Making insurance opt-in** for members who have low balances of less than \$6,000, are under the age of 25 years, or whose accounts have not received a contribution in 13 months and are inactive.
- **Capping passive fees** for accounts less than \$6,000.
- **Banning exit fees** for all super accounts.
- Requiring the **transfer of all inactive superannuation accounts under \$6,000 to the ATO**.
- Introducing a new **retirement income framework**, with a retirement covenant requiring trustees to offer comprehensive income products for retirement and to provide simplified, standardised information on retirement income products, and new means test rules for pooled lifetime income streams.
- A **limited, one-year exemption from the work test for voluntary super contributions** for people aged 65-74 with superannuation balances below \$300,000.
- Allowing high income earners with multiple employers to **nominate that wages from certain employers are not subject to the superannuation guarantee**, to avoid breaching the concessional contributions cap.

## Other Measures

- **Measures to tackle the black economy**, including introduction of a **legal a limit of \$10,000 on any cash transaction** to reduce the extent of money laundering and tax evasion and cracking down on the importation of illegal tobacco through a range of measures.
- Introduction of a **biosecurity levy payable quarterly on imports by sea** equivalent to \$10.02 per TEU or, for non-containerised cargo, \$1 per tonne from 1 July 2019.
- Allocation of \$293.6 million in aviation security over four years to safeguard Australia against evolving threats in the civil aviation, air cargo and international mail sectors. This includes:
  - **\$50.1 million to enhance security arrangements at 64 regional airports** with new and upgraded screening technologies and associated infrastructure;
  - **\$121.6 million to enhance screening capability for inbound air cargo and international mail** with new and upgraded equipment and advanced technology; and
  - **\$121.9 million to increase the presence and specialist capabilities of the Australian Federal Police and Australian Border Force at nine major domestic and international airports.**
- From 1 July 2018, the Government will **better target the Research and Development (R&D) Tax Incentive** through a new R&D premium for companies with turnover of \$20 million or more. This will ensure support for larger companies is directed towards those companies undertaking additional, high-intensity business R&D.
- **Expanding the Pension Work Bonus** to improve age pensioners' labour market incentives.
  - Age Pensioners will be able to earn up to an additional \$1,300 each year without reducing their pension payments.
  - For the first time, older Australians who are self-employed will be able to benefit from accessing the Work Bonus, so they can earn up to \$7,800 each year without reducing their pension.

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## Transport Infrastructure Funding

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### National Overview

- \$24.5 billion has been allocated to new major transport projects and initiatives that will benefit every State and Territory as part of the Government's \$75 billion investment in transport infrastructure from 2018–19 to 2027–28.
- \$1 billion has been allocated to an Urban Congestion Fund to tackle urban congestion in cities.
- A Major Project Business Case Fund is being established with a contribution of \$250 million for the Commonwealth's early involvement in major project business case development.
- \$3.5 billion to establish a Roads of Strategic Importance initiative to upgrade key freight corridors in regional Australia and to improve last mile access to ports.

### New Initiatives

- \$971 million for the Pacific Highway Coffs Harbour bypass.
- \$400 million for the Port Botany Rail Line Duplication and to construct a Cabramatta passing loop between Cabramatta and Warwick Farm.
- \$155 million for the Nowra bridge on the Princes Highway.
- \$50 million towards a business case for the Western Sydney Airport north-south rail link.
- \$5.3 billion to commence construction of Western Sydney Airport with work scheduled to be completed in 2026.
- \$100 million for the upgrade of the Monaro Highway.
- \$224.9 million over four years to provide accurate satellite-based positional, navigation and timing (PNT) capability which will enhance GPS capability across Australia. This measure will deliver PNT data with an accuracy of three to five centimetres for regional and metropolitan areas with mobile phone coverage and up to 10 centimetres elsewhere.

### Ongoing National Initiatives

- \$744.5 million for the Black Spot Program from 2013-14 to 2021-22.
- \$4.8 billion for the Roads to Recovery Program from 2013-14 to 2021-22.

## 2018-19 Project Funding in NSW and the ACT

Projects with funding in NSW and the ACT in 2018-19 include:

Project/s	2018-19 Allocation \$m
<b>Sydney Region</b>	
Appin Rd – Rosemeadow to Appin	5.0
Removal of the General Holmes Dr rail level crossing; construction of twin rail bridges and a new road underpass, Mascot	2.0
Jane St, Mulgoa Rd and High St upgrade Penrith	12.5
Duplication of Badgally Road between Eagle Vale Drive, Claymore and Blaxland Rd Campbelltown	2.0
Construction of east-facing ramps from Belmore Rd to the M5 Motorway	13.31
Upgrade of Macquarie Park Transport Interchange	5.0
Upgrade of Mulgoa Rd Penrith between Blaikie Rd and the M4 Motorway	6.8
Upgrade of Narellan Rd from four to six lanes from Camden Valley Way to Blaxland Rd	0.4
Construction of twin three-lane tunnels linking the M1 and the M2 Motorways	5.0
Upgrade tracks on the Port Botany Rail Line; investigate capacity enhancements to the Southern Sydney Freight Line	7.5
Duplicate remaining single track between Mascot and Botany; construct a passing loop at Cabramatta	10.0
Richmond Bridge Richmond bridge and intersection upgrades	0.8
Construction of WestConnex: funds available as a concessional loan	575.9
Funding of planning for rail at the Western Sydney Airport site	35.0
Western Sydney Infrastructure Plan – Werrington Arterial Rd, The Northern Rd upgrade, M12 Motorway, Bringelly Rd upgrade, Ross St Intersection	350.0
Western Sydney Infrastructure Plan—Local Roads Package	42.3
<b>Central Coast</b>	
Dobell's Road, various projects, Holgate, The Entrance, Berkeley Vale	6.2
Upgrade of Oceano St, Copacabana	1.83
Upgrade of Langford Dr and Woy Woy Rd intersection, Kariong	0.7
Capacity improvements to three sections of the M1 Pacific Motorway, Central Coast	68.6
<b>Hunter</b>	
Upgrade of Cessnock Rd at Testers Hollow	1.015
Duplication of Tourle St Bridge and approaches, Mayfield	2.0
Construction of the Scone Bypass	40.0
<b>Illawarra and South Coast</b>	
Eurobodalla Roads Upgrade Package - various road and intersection upgrades	7.7
Far North Collector Road – Illaroo Rd North Nowra to Moss Vale Rd Nowra	0.2
Construction of new bridge, intersection upgrades over the Shoalhaven River Nowra	10.0
Planning for an additional crossing of the Shoalhaven River Nowra	1.0
Construction of additional lanes on the Princes Motorway (M1) Picton Rd and Bellambi Creek	8.7
<b>North Coast</b>	
Completion of the upgrade to dual carriageway of the Pacific Highway by 2020	593.6
Construction of the Coffs Harbour Bypass	10.0
Replacement of various bridges, Page Road, Kyogle	0.8
Richmond River valley local road and bridge upgrades	1.4
<b>Southern Inland</b>	
Barton Hwy – Yass valley	10.0
Improve connections between the ACT and regional NSW, targeting the Barton Hwy	5.0
Sealing of Dunns Road, Wagga Wagga	2.5
Signalise intersection of Lanyon Dr and Tompsitt Dr Jerrabomberra	2.6
Construction of a bypass of the Queanbeyan CBD	8.0
<b>Northern Inland</b>	
Bolivia Hill realignment New England Hwy	21.855

<b>Project/s</b>	<b>2018-19 Allocation \$m</b>
Upgrade of bridge/additional lanes between Jewry St Bridge and Manilla Rd Tamworth	3.5
Realign, construct and upgrade Mt Lindesay Rd from Legume to Woodenbong	4.0
Replace Munsies Bridge, Gostwyck Rd Uralla	0.2
Newell Hwy—Mungle Back Creek to Boggabilla heavy duty pavement construction	9.7
Construction of Armidale Airport roundabout	0.8
Further planning and preconstruction activities for Tenterfield Heavy Vehicle Bypass	2.5
Construction of roundabout at the Tingha-Bundarra Road and Gwydir Hwy Inverell	1.5
<b>Blue Mountains – Central West</b>	
Great Western Hwy – Katoomba to Lithgow – various projects	24.5
<b>ACT</b>	
Monaro Hwy – Canberra Ave to Hume planning	0.8
Pialligo Ave duplication planning	1.8
<b>Melbourne-Brisbane Inland Rail</b>	32.8