Reference No. COA016

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Foregone revenue from removal of the mining tax**
Summary of proposal:	This proposal will discontinue the Minerals Resource Rent Tax (MRRT).
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	The Treasury

Costing overview

This proposal is expected to decrease revenue on an underlying cash and fiscal balance basis by \$3.5 billion over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in revenue.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

Departmental costs associated with this proposal have been included in a separate costing: *Reduce administrative and other expenses from scrapping the MRRT package.*

This costing is considered to be of medium reliability. Estimates are based on published Pre-Election Economic and Fiscal Outlook values, noting that these are highly sensitive to the assumptions regarding production volumes, capital deductions, commodity prices and the exchange rate. There is also some uncertainty related to timing of MRRT revenue and any behavioural responses to this proposal.

Table 1: Financial implications – Discontinuing the MRRT (outturn prices)(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-	-600	-1,100	-1,800
Fiscal balance (\$m)	-	-600	-1,100	-1,800

(a) A negative number for the underlying cash balance indicates a decrease in receipts on a cash basis. A negative number for the fiscal balance indicates a decrease in revenue on an accrual basis.

Key assumptions

The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.

Discontinuing the MRRT will have effect from 1 July 2014.

The MRRT is paid quarterly which means that three quarters of each financial year's impact is from 'within year' mining activity and one quarter is from the previous financial year's mining activity.

POLICY COSTING – POST ELECTION REPORT

Methodology

The underlying cash and fiscal balance impacts estimated for this proposal are based on net MRRT amounts currently in the 2013-14 Budget forward estimates with adjustments for timing and date of abolition.

Data sources

Pre-Election Economic and Fiscal Outlook forward estimate impacts for the MRRT were obtained from Treasury.

Reference No. COA017

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	Coalition's Paid Parental Leave Scheme Package
Summary of proposal:	The proposal will: • provide a Paid Parental Leave (PPL) scheme with 26 weeks paid at the higher of a replacement wage (up to a cap of $150,000 per annum) or the National Minimum Wage, plus superannuation. Partners will also be able to take two out of the 26 weeks at their own replacement wage (up to the $150,000 per annum cap), plus superannuation • replace the existing PPL scheme, and • also replace the existing paid maternity leave schemes for Commonwealth agencies. Payments to the States would be reduced by the value of maternity payments that would otherwise have been expected to be made by the States. The payments in the new scheme will be made entirely through the Department of Human Services. The proposal will have effect from 1 July 2015. The proposed levy of 1.5 per cent on company taxable income above $5 million is considered separately.
Party:	Coalition
Date of public release of policy:	18 August 2013 and 5 September 2013
Agencies from which information was obtained:	• The former Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), and • Department of Human Services (DHS).

Costing overview

The gross cost of the new PPL scheme is expected to decrease both the underlying cash and fiscal balances by around $9.87 billion over the 2013-14 Budget forward estimates period.

Not proceeding with the former Government's PPL scheme is expected to increase both the underlying cash and fiscal balances by around $3.67 billion over the 2013-14 Budget forward estimates period.

Discontinuing the existing Commonwealth, State and Territory Governments' maternity leave schemes is expected to increase both the underlying cash and fiscal balances by around $1.38 billion over the 2013-14 Budget forward estimates period.

Additionally, the impact of the proposal on existing Government payments and taxes is expected to increase the underlying cash balance by around $1.33 billion and the fiscal balance by $1.36 billion over the 2013-14 Budget forward estimates period.

The net impact of the scheme is expected to be a decrease in the underlying cash balance of around $3.50 billion and a decrease in the fiscal balance of around $3.47 billion over the 2013-14 Budget forward estimates period.

A finer disaggregation of the costing can be found at Attachment A.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

The costing includes a decrease in departmental expenses of $155 million over the 2013-14 Budget forward estimates period. This reflects a decrease of $185 million from no longer needing to cover maternity payments for Commonwealth public servants, partially offset by an increase in expenses of $30 million to cover the costs of an information campaign and provide resourcing for the Department of Human Services to implement and administer the new scheme.

The proposed PPL scheme would result in increased expenses for the PPL program, primarily reflecting the higher level of payments under the scheme, but also because more families will choose to receive PPL in preference to the alternative Family Tax Benefit (FTB) supplement. This increased expense will be partially offset by a reduction in payments of FTB Parts A and B.

To reflect the change in incidence of parental leave payments to State and Territory public servants to the Australian Government, the Australian Government will reduce payments to the States and Territories by the value of maternity payments that would otherwise have been expected to be made by the State and Territory Governments.

As PPL payments are taxable, the increased expense of the scheme will also be partially offset by increased personal income tax revenue. Contributions tax will also be collected on the superannuation payments made under the scheme. The inclusion of superannuation in the PPL scheme will also result in increased expenses due to additional Low Income Superannuation Contribution (LISC) payments made in respect to these contributions.

The underlying cash balance impact of this proposal differs from the fiscal balance impact due to Family Tax Benefit supplements and lump sum payments, along with LISC payments, being made in the year following the accrual of the liability.

The estimates in this costing differ from those published by the party. The PBO has revised its previous estimates to the party of the incomes of secondary carers. This impacts the degree to which families take up the optional secondary carer component of the scheme. This costing also uses a different assumption from the party's costing to derive the estimated future utilisation of the existing public service paid maternity leave schemes under current policy.

This costing is of low to medium reliability. It is sensitive to a number of assumptions around fertility rates of working women, female labour force participation, the wages parents earn and the leave patterns of parents around the births of their children.

The cost of this proposal is lower in the first year as some recipients of the payment who have their child in 2014-15 will not receive their entire 26 weeks in this financial year. The estimated saving from the current PPL scheme in 2015-16 is less than the current expense estimate for the program in that year, reflecting the fact that some families who have a child in 2014-15 will be completing the PPL period under the old scheme in 2015-16.

POLICY COSTING – POST ELECTION REPORT

Table 1: Financial implications – Gross cost of the Coalition PPL (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-10	-4,175	-5,685
Fiscal balance ($m)	-	-10	-4,175	-5,685

Table 2: Financial implications – Existing Government scheme (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-	1,670	2,000
Fiscal balance ($m)	-	-	1,670	2,000

Table 3: Financial implications – Savings from existing Commonwealth and State Public Sector schemes (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-	625	750
Fiscal balance ($m)	-	-	625	750

Table 4: Financial implications – Automatic adjustments to Government spending and revenue (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-	540	790
Fiscal balance ($m)	-	-	560	800

Table 5: Financial implications – All elements (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-10	-1,340	-2,145
Fiscal balance ($m)	-	-10	-1,320	-2,135

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in expenses in cash terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in expenses in cash terms

Key assumptions

General assumptions

- The policy specification used in this costing is based on the document *The Coalition's Policy for Paid Parental Leave.*

- The grouped data approach used to model the policy cannot capture the full level of diversity in the population. The model works under the assumption that the outcome for an average person in each group represents the average outcome for the group.
- After a transitional period, the transaction costs currently incurred making PPL payments via employers are assumed to be equivalent to those incurred under the proposal when making PPL payments directly.
- No adjustment has been made to reflect any changes in fertility rates due to the proposal.

Income distribution of PPL recipients

- The income distribution of new mothers has been based on aggregated data on the distribution of adjusted taxable incomes of PPL recipients in the first eleven months of 2012-13.
  - While the rate of PPL will be based on the mother's salary, adjusted taxable income was used due to an absence of detailed data on the salaries of new mothers.
  - An analysis of the personal income tax returns from 2010-11 found that for women with wages and salary, aged 20-35, adjusted taxable income is, on average, slightly higher than wages and salary. For individuals where this is not the case, the difference is due to relatively small work related tax deductions. Similar results were found if a higher upper age range was used.
- These incomes have been grown in line with average weekly earnings.
- An assumption has been made about the proportion of eligible families that have partnered parents as well the average incomes of the partners. These assumptions have been made based on analysis of unit record data from the 2009-10 Survey of Income and Housing.
- Assumptions have also been made regarding the amount of time primary carers spend working outside the PPL period during the financial year of birth.

Take up of secondary carer payment

- Not all secondary carers currently take up Dad and Partner Pay. Under the proposed scheme all secondary carers are assumed to take up the payment as, for the greater majority, there would be no loss in income from choosing to do so. When paid paternity leave is not paid, the secondary carer is expected to continue to work. Thus, the income from the more generous paid paternity leave payment is not expected to result in a significant increase in personal income tax collections or decrease in family payments.

Child care assistance

- The effect of the proposal on child care assistance payments is expected to be minimal and has not been included in the costing.

Transitional arrangements

- It has also been assumed that those who have a child in 2014-15, but do not complete their PPL period by the end of the financial year, will continue to receive their payments under the current scheme until their 18 week period expires.

Public service offsets

- For Commonwealth public servants payment rates for salaries have been based on median salaries at each payment level. For State and Territory public servants, payment rates have been based on median salaries of the respective State and Territory public services.
- The number of State and Territory public servants taking maternity leave with salaries above $150,000 is negligible.
- For Commonwealth, State and Territory public servants, the proportion of female employees aged between 20 and 44 who would be accessing their paid maternity leave entitlement in each year has been estimated based on the Australian Public Service Commission's (APSC) submission to the Productivity Commission enquiry into PPL and historical trends in fertility rates.
- The income distribution of public service maternity leave recipients in the base data is assumed to be representative of the population across the forward estimates. Growth in incomes and take up rate of maternity leave has been based on recent trends.

Methodology

A grouped data model has been used to cost the proposal, based on administrative data from the existing PPL program.

The midpoint income of each of the categories in the aggregated data has been assumed to be representative of the average income of parents in each group. These incomes have been inflated to the years in 2013-14 Budget estimates period using average weekly earnings. Based on these uprated incomes, entitlement to PPL (including Dad and Partner Pay under the current scheme, and paternity pay in the new scheme) are estimated for both the current and new schemes.

Based on this, adjusted taxable incomes have been estimated for the families and used to estimate entitlement to FTB payments along with income tax liability.

The superannuation contributions tax revenue estimate is 15 per cent of the estimated superannuation payments made under the scheme. For those with an estimated adjusted taxable income below the threshold this contributions tax would be refunded through the LISC.

Estimates of the number of Commonwealth public servants who are entitled to the existing Government maternity leave, their salaries and the amount of leave to which they are entitled, have been made based on the Australian Public Service employment database, the APSC State of the Service Report and enterprise agreements of Commonwealth agencies. Estimates of salaries for State and Territory public service employees are based on State of the Service (or equivalent) reports from State and Territory public service commissions (or equivalent bodies). Expected maternity leave payments are then estimated using the take up rate assumption.

Timing effects have then been applied to recognise that PPL payments carry over into the subsequent financial year for recipients with children born towards the end of the year.

Estimates for revenue and administered expense components of the costing have been rounded to the nearest $10 million, departmental expenses have been rounded to the nearest $5 million and these estimates have then been summed to give the total impact.

Data sources

- Australian Bureau of Statistics Catalogue number 4913.0, *Pregnancy and Employment Transitions,* November 2011
- Australian Bureau of Statistics, 2009-10 Survey of Income and Housing, Confidentialised Unit Record File.
- Aggregate data on the incomes of PPL and Baby Bonus recipients in the first eleven months of 2012-13 and forward estimates of expenses and recipient numbers for both Parental Leave Pay and Dad and Partner Pay have been provided by FaHCSIA.
- Data on entitlement and take up of paid maternity leave by public service employees have been taken from:
  - Productivity Commission, 2009, *Paid Parental Leave: Support for Parents with Newborn Children*
  - Australian Public Service Commission, *Australian Public Service employment database*
  - Public Service Commission of NSW, *Workforce Profile Report 2012*
  - State Services Authority of Victoria, *The State of the Public Sector in Victoria 2011-12*
  - Public Service Commission of Queensland, *Queensland Public Service Workforce Characteristics 2011-2012*
  - Public Sector Commission of Western Australia, *State of the Sector Report 2012*
  - Office of Public Employment and Review of South Australia, *State of the Sector Report 2012*
  - Office of the State Service Commissioner of Tasmania, *2011-2012 State Service Commissioner's Annual Report*
  - Office of the Commissioner for Public Administration of the Australian Capital Territory, *2010-11 ACTPS Workforce Profile 2010-11*, and
  - Office of the Commissioner for Public Employment of the Northern Territory, *State of the Service Report 2011-12*.
- The DHS have provided estimates of the departmental expenses that would be associated with implementing and administering a replacement wage PPL scheme.

ATTACHMENT A: DISAGGREGATION OF COSTING

Table A1 provides estimates on an underlying cash balance basis. A positive number for payments represents an increase in cash paid by the Commonwealth, while a positive number for receipts represents an increase in cash collected by the Commonwealth. The impact on the underlying cash balance is the change in receipts less the change in payments.

Table A1. Disaggregation of costing – Underlying cash basis

($m)	2014-15	2015-16	2016-17	Total
Payments				
Paid Parental Leave	-	2,490	3,680	6,170
Consisting of:				
New Primary Carer Scheme (including SG)	-	*3,880*	*5,400*	*9,280*
Existing Parental Leave Pay	-	*-1,590*	*-1,920*	*-3,510*
New Secondary Carer Scheme (including SG)	-	*280*	*280*	*560*
Existing Dad and Partner Pay	-	*-80*	*-80*	*-160*
Family Tax Benefit (Parts A and B)	-	-60	-100	-160
Low Income Super Contribution	-	-	10	10
Payments to States	-	-540	-650	-1,190
Total administered payments	-	**1,890**	**2,940**	**4,830**
Administration of new PPL scheme	10	15	5	30
Existing maternity payments to public servants	-	-85	-100	-185
Departmental expenses	**10**	**-70**	**-95**	**-155**
Receipts				
Personal Income Tax	-	430	630	1,060
Superannuation Contributions Tax	-	50	70	120
Total receipts	-	**480**	**700**	**1,180**
Impact on underlying cash balance	**-10**	**-1,340**	**-2,145**	**-3,495**

Table A2 reconciles these components with the format presented in the party's costing document, on an underlying cash basis.

Table A2. Reconciliation with presentation in Coalition policy document

Impact on underlying cash balance($m)	2014-15	2015-16	2016-17	Total
Gross cost of the proposed PPL scheme	**-10**	**-4,175**	**-5,685**	**-9,870**
New Primary Carer Scheme (including SG)	-	*-3,880*	*-5,400*	*-9,280*
New Secondary Carer Scheme (including SG)	-	*-280*	*-280*	*-560*
Administration of new PPL scheme	*-10*	*-15*	*-5*	*-30*
Existing Government PPL scheme	-	**1,670**	**2,000**	**3,670**
Existing Parental Leave Pay	-	*1,590*	*1,920*	*3,510*
Existing Dad and Partner Pay	-	*80*	*80*	*160*
Existing Commonwealth and State maternity leave schemes	-	**625**	**750**	**1,375**
Existing maternity payments to public servants	-	*85*	*100*	*185*
Payments to States	-	*540*	*650*	*1,190*
Automatic adjustments to Government spending and revenue	-	**540**	**790**	**1,330**
Family Tax Benefit (Parts A and B)	-	*60*	*100*	*160*
Low Income Super Contribution	-	-	*-10*	*-10*
Personal Income Tax	-	*430*	*630*	*1,060*
Superannuation Contributions Tax	-	*50*	*70*	*120*
Net impact	**-10**	**-1,340**	**-2,145**	**-3,495**

Table A3 provides estimates on a fiscal balance basis. A positive number for expenses represents an increased liability incurred by the Commonwealth, while a positive number for revenue represents an increase in money payable to the Commonwealth. The impact on the fiscal balance is the change in revenue less the change in expenses.

Table A3. Disaggregation of costing – Fiscal balance basis

($m)	2014-15	2015-16	2016-17	Total
Expenses				
Paid Parental Leave	-	2,490	3,680	6,170
Consisting of:				
New Primary Carer Scheme (including SG)	-	*3,880*	*5,400*	*9,280*
Existing Parental Leave Pay	-	*-1,590*	*-1,920*	*-3,510*
New Secondary Carer Scheme (including SG)	-	*280*	*280*	*560*
Existing Dad and Partner Pay	-	*-80*	*-80*	*-160*
Family Tax Benefit (Parts A and B)	-	-90	-110	-200
Low Income Super Contribution	-	10	10	20
Payments to States	-	-540	-650	-1,190
Total administered expenses	**-**	**1,870**	**2,930**	**4,800**
Administration of new PPL scheme	10	15	5	30
Existing maternity payments to public servants	-	-85	-100	-185
Total departmental expenses	**10**	**-70**	**-95**	**-155**
Revenue				
Personal Income Tax	-	430	630	1,060
Superannuation Contributions Tax	-	50	70	120
Total revenue	**-**	**480**	**700**	**1,180**
Impact on fiscal balance	**-10**	**-1,320**	**-2,135**	**-3,465**

Table A4 reconciles the components with the format presented in the party's costing document, on a fiscal balance basis.

Table A4. Reconciliation with presentation in Coalition policy document

Impact on fiscal balance($m)	2014-15	2015-16	2016-17	Total
Gross cost of the proposed PPL scheme	**-10**	**-4,175**	**-5,685**	**-9,870**
New Primary Carer Scheme (including SG)	-	*-3,880*	*-5,400*	*-9,280*
New Secondary Carer Scheme (including SG)	-	*-280*	*-280*	*-560*
Administration of new PPL scheme	*-10*	*-15*	*-5*	*-30*
Existing Government PPL scheme	**-**	**1,670**	**2,000**	**3,670**
Existing Parental Leave Pay	-	*1,590*	*1,920*	*3,510*
Existing Dad and Partner Pay	-	*80*	*80*	*160*
Existing Commonwealth and State maternity leave schemes	**-**	**625**	**750**	**1,375**
Existing maternity payments to public servants	-	*85*	*100*	*185*
Payments to States	-	*540*	*650*	*1,190*
Automatic adjustments to Government spending and revenue	**-**	**560**	**800**	**1,360**
Family Tax Benefit (Parts A and B)	-	*90*	*110*	*200*
Low Income Super Contribution	-	*-10*	*-10*	*-20*
Personal Income Tax	-	*430*	*630*	*1,060*
Superannuation Contributions Tax	-	*50*	*70*	*120*
Net impact	**-10**	**-1,320**	**-2,135**	**-3,465**

Reference No. COA021

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposals costed:	**Company tax rate cut to 28.5 per cent** **Levy of 1.5% on company taxable income above $5 million**
Summary of proposal:	This proposal will: • reduce the company tax rate to 28.5 per cent, and • impose a levy of 1.5 per cent on that part of company taxable income above $5 million. with effect from 1 July 2015.
Party:	Coalition
Date of public release of policy:	7 August 2013 – Company tax rate cut to 28.5 per cent. 18 August 2013 – Levy of 1.5 per cent.
Agencies from which information was obtained:	Company tax data was obtained from The Treasury.

Costing overview

Reducing the company tax rate to 28.5 per cent is estimated to decrease both the underlying cash and fiscal balances by $4.9 billion over the 2013-14 Budget forward estimates period. This impact is entirely due to decreased revenue. A detailed breakdown of the financial implications of this proposal is at Attachment A.

Imposing a 1.5 per cent levy on that part of company taxable income over $5 million is estimated to increase both the underlying cash and fiscal balances by $4.3 billion over the 2013-14 Budget forward estimates period. This impact is entirely due to increased revenue. A detailed breakdown of the financial implications of this proposal is at Attachment A.

Together, reducing the company tax rate to 28.5 per cent and imposing a 1.5 per cent levy on that part of company taxable income over $5 million is estimated to decrease both the underlying cash and fiscal balances by $0.5 billion over the 2013-14 Budget forward estimates period. Rounding and interactions between the proposals mean that the costings are not fully additive. A detailed breakdown of the financial implications of both proposals is at Attachment A.

This costing is considered to be of medium reliability as modelling is based on historical tax data and several assumptions. Possible behavioural responses to this proposal are uncertain.

This costing assumes that the Australian Taxation Office (ATO) would not vary company instalment calculations in response to the change in company tax rates. Company tax instalment rates are calculated by the ATO based on the amount of tax paid by a company in the previous year and are not explicitly based on the statutory company rate. For large companies, who account for the majority of company tax paid, the impact of the levy would offset most of the reduction in company tax, leaving the overall level of tax on their company taxable income that would be payable by instalments largely unchanged. The assumption in relation to instalments mainly impacts on the profile of company tax collections as instalments adjust to the new company rate and does not affect the cost of the proposal once instalments assimilate the new company rate.

If the ATO were to vary instalments to take account of the impact of the new company tax rate for companies with taxable incomes under $5 million, the cost of the proposal would be larger in the first year following the date of effect than in this costing, with this difference unwound over the next three years (which extends beyond the forward estimates period). This would further decrease underlying cash and fiscal balances by around $0.6 billion over the 2013-14 Budget forward estimates.

Both elements of this proposal will have an ongoing impact that extends beyond the forward estimates period. Cutting the company tax rate to 28.5 per cent is estimated to have a mature cost in the order of $3.7 billion in 2018-19. The company levy is estimated to have a mature saving in the order of $3.3 billion in 2018-19. The annual estimates for both proposals will grow in line with the underlying growth in the company tax base from 2018-19.

Departmental expenses are expected to be minimal for each part of this proposal and have not been included in this costing.

Table 1: Financial implications – Company tax cut to 28.5 per cent (outturn prices)[(a)]

Impact on:	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-400	-300	-4,200
Fiscal balance ($m)	-	-400	-300	-4,200

(a) A negative number for the fiscal balance indicates a decrease in revenue in accrual terms. A negative number for the underlying cash balance indicates a decrease in revenue receipts in cash terms.

Table 2: Financial implications – 1.5 per cent company levy (outturn prices)[(a)]

Impact on:	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	300	300	3,700
Fiscal balance ($m)	-	300	300	3,700

(a) A positive number for the fiscal balance indicates an increase in revenue in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts in cash terms.

Table 3: Financial implications – Company tax cut to 28.5 per cent and 1.5 per cent company levy (outturn prices)[(a)]

Impact on:	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-100	-	-400
Fiscal balance ($m)	-	-100	-	-400

(a) A negative number for the fiscal balance indicates a decrease in revenue in accrual terms. A negative number for the underlying cash balance indicates a decrease in revenue receipts in cash terms. Tables 1 and 2 may not add to Table 3 due to rounding.

POLICY COSTING – POST ELECTION REPORT

Key assumptions

- The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.
- The proposals will apply from 1 July 2015.

General assumptions

- Superannuation funds and the superannuation business of life insurance companies continue to be taxed at the 15 per cent rate.
- Growth rates are based on company gross operating surplus (GOS), adjusted to take into account the effects of many companies having substituted accounting periods.
- Estimates have been rounded to the nearest $100 million.

Behavioural 'bring forward' assumption – company tax cut and company levy

- With a start date of 1 July 2015 and announcement of these proposals in 2013 the PBO considers that there is sufficient time for companies to take steps to change the timing of their deductions and income in the financial year prior to the start date in order to benefit from the net changes in the company rate. Having a long lead time increases the likelihood of a behavioural response that would increase the cost of transition to the proposal and decrease revenue.
  - The PBO has assumed that around 0.5 per cent of company taxable income under $5 million would be deferred around the commencement of these proposals in order to benefit from the company tax rate cut and the 1.5 per cent company levy.

Impact of the imputation system on the costing

- The 1.5 per cent levy on company taxable income in excess of $5 million will not be creditable for dividend imputation purposes.
- Company dividends and imputation:
  - For companies with taxable incomes up to $5 million, where the rate of company tax paid is cut and no levy is imposed, the PBO has assumed that approximately one half of the tax cut will be distributed to shareholders and one half retained in the company and that around 60 per cent of shareholders are residents.
  - For companies with taxable incomes of $5 million or more, where the 1.5 per cent levy on that part of a company's taxable income greater than $5 million mostly offsets the company tax cut on that part of their taxable income, the PBO has assumed that there would be no change in the level of cash dividends paid.
  - For all company dividends paid from 1 July 2015, the rate at which franking credits attach to dividends falls in line with the reduction in the statutory company tax rate.

Timing assumptions

- The PBO has assumed that the pay as you go (PAYG) instalment system will remain unchanged and that the ATO will not vary instalment rates. In addition, the costing assumes that companies would not vary their instalment amounts from the ATO 'safe harbour' amount.

- The costing also assumes that company substituted accounting period timing will apply to the costings from 1 July 2015.
- The PBO has assumed that the levy is collected via the company pay as you go (PAYG) instalment system. This means that the levy would have the same timing as the changes in company tax rate.

Methodology

The cost of the company tax rate cut was estimated by calculating company and shareholder tax revenue using the proposed tax structure and various assumptions over the 2013-14 Budget forward estimates period and subtracting the amount of base company and shareholder tax revenue that is expected to be collected over the same period.

The cost of the company levy was estimated by calculating company and shareholder tax revenue and the proposed levy using the proposed tax structure and various assumptions over the 2013-14 Budget forward estimates period and subtracting the amount of base company and shareholder tax revenue that is expected to be collected over the same period.

Reducing the generally applicable company tax rate will have an ongoing impact on the rate at which dividends paid to shareholders are franked. When the company tax cut is combined with a company levy that will not generate franking credits the imputation credit attaching to a fully franked dividend will fall under this proposal from 3/7ths of the fully franked cash dividend paid to 28.5/71.5ths of the fully franked cash dividend paid.

Data sources

Data sources include ATO tax return data for companies, individuals and the superannuation business of life insurance companies up to the 2009-10 financial year.

The data includes entities that are taxed as companies.

ATTACHMENT A: DISAGGREGATION OF COSTING

Table A1 provides a detailed breakdown of the financial implications of the proposed company tax rate cut to 28.5 per cent.

Table A1: Revenue impacts – fiscal balance and underlying cash balance ($m)

Proposal	Revenue	2013-14	2014-15	2015-16	2016-17	Total
Reduce the company tax rate from 30 per cent to 28.5 per cent	*Companies*	-	-400	-500	-5,600	-6,500
	Individuals	-	-	200	1,400	1,600
	Total impact	-	**-400**	**-300**	**-4,200**	**-4,900**

Note: A positive number for the underlying cash balance indicates an increase in revenue in cash terms. A positive number for the fiscal balance indicates an increase in receipts in accrual terms. A negative number for the underlying cash balance indicates a decrease in revenue in cash terms. A negative number for the fiscal balance indicates a decrease in receipts in accrual terms. Totals may not add due to rounding.

Table A2 provides a detailed breakdown of the financial implications of the proposed 1.5 per cent company levy.

Table A2: Revenue impacts – fiscal balance and underlying cash balance ($m)

Proposal	Revenue	2013-14	2014-15	2015-16	2016-17	Total
Introduce a 1.5 per cent levy on company taxable income over $5 million	*Companies*	-	300	300	3,700	4,300
	Individuals	-	-	-	-	-
	Total impact	-	**300**	**300**	**3,700**	**4,300**

Note: A positive number for the underlying cash balance indicates an increase in revenue in cash terms. A positive number for the fiscal balance indicates an increase in receipts in accrual terms.

Table A3 provides a detailed breakdown of the financial implications of the proposed company tax rate cut to 28.5 per cent and the proposed 1.5 per cent company levy.

Table A3: Revenue impacts – fiscal balance and underlying cash balance ($m)

Proposal	Revenue	2013-14	2014-15	2015-16	2016-17	Total
Reduce the company tax rate from 30 per cent to 28.5 per cent and introduce a 1.5 per cent levy on company taxable income over $5 million	*Companies*	-	-100	-200	-1,700	-2,000
	Individuals	-	-	200	1,300	1,500
	Total impact	-	**-100**	**-**	**-400**	**-500**

Note: A positive number for the underlying cash balance indicates an increase in revenue in cash terms. A positive number for the fiscal balance indicates an increase in receipts in accrual terms. A negative number for the underlying cash balance indicates a decrease in revenue in cash terms. A negative number for the fiscal balance indicates a decrease in receipts in accrual terms. Tables 1 and 2 may not add to Table 3 due to rounding.

Reference No. COA022

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Doubling practice incentive payments for General Practice teaching**
Summary of proposal:	The proposal will double the Practice Incentive Payment (PIP) for teaching from \$100 to \$200 per session from 1 January 2015. The PIP teaching payment aims to encourage general practices to provide teaching sessions to undergraduate and graduate medical students preparing for entry into the medical profession.
Party:	Coalition
Date of public release of policy:	22 August 2013
Agencies from which information was obtained:	• Department of Health and Ageing (DoHA) • Department of Human Services (DHS)

Costing overview

This proposal is expected to decrease the underlying cash and fiscal balances by \$119.0 million over the 2013-14 Budget forward estimates period. The proposal will also have an ongoing impact that extends beyond the forward estimates period and is expected to grow in line with the trend growth exhibited in the last two years of the forward estimates. This impact is entirely due to an increase to expenses.

The costing includes departmental funding of \$4.8 million over the 2013-14 Budget forward estimates period, related to the cost of additional transactions it is projected DHS will administer under the proposal.

This costing is considered to be of medium reliability as it estimates teaching sessions based on increased general practitioner participation, which in actual terms may vary considerably.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-	-21.8	-46.9	-50.2
Fiscal balance (\$m)	-	-21.8	-46.9	-50.2

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

(b) Figures in the table may not add to totals quoted elsewhere in the costing minute due to rounding.

POLICY COSTING – POST ELECTION REPORT

Key assumptions

Consistent with advice provided by the Coalition, the PBO has used a 1 January 2015 implementation date to cost this proposal.

In addition, the PBO has assumed that:

- DoHA will administer the policy change from within the current departmental funding allocation for this program, and
- the increase in participating practices from doubling the PIP will be consistent with the 23 per cent increase in participating practices from 2003-04 to 2009-10 as a result of the 2004-05 increase in PIP payment of $50 to $100.

Based on advice and information from DoHA, the PBO has assumed that current rural loading arrangements, which apply a sliding scale of loadings based on the degree of remoteness of participating practices, will be applied to the new higher payment.

Methodology

Costs under the proposal are a combination of administered expenses that will be borne by DoHA and departmental funding for additional administration expenses incurred by DHS.

Administered costs – Department of Health and Ageing

The total cost of the modified scheme was derived by multiplying the estimated number of teaching sessions (including additional sessions resulting from the increased incentive) by the increased session payment of $200 and adding on an additional 20 per cent for the rural loading. The current program estimates were then deducted to estimate the budget impact of the proposal.

In order to estimate the revised number of teaching sessions, the following calculations were undertaken:

- the current average teaching sessions per practice was derived by dividing each year's current session estimates by the number of participating practices
- the number of practices participating in the program and receiving PIP teaching incentives was increased by 23 per cent (refer to Key assumptions), and
- the revised number of teaching sessions was then calculated by multiplying the revised practice estimates by the current average session per practice.

Departmental costs – Department of Human Services

The total departmental cost was calculated by multiplying the estimated number of additional transactions by the processing cost per transaction.

Data sources

From DoHA, the PBO obtained the *Practice Incentive Payment – Teaching payment forward estimates model.*

From DHS, the PBO obtained the estimated processing cost per transaction for the 2013-14 Budget forward estimates period.

The PBO also consulted the *2003-04 Department of Health and Ageing Annual Report.*

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Reference No. COA023

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	Investing in medical internships
Summary of proposal:	The proposal aims to fund an additional 100 intern places within private hospitals for medical students on an ongoing basis. The aim of the proposal is to increase the number of opportunities for medical graduates to achieve full registration with the Medical Board of Australia through completing the required 47 weeks of clinical training. The proposal will have effect from 1 January 2014.
Party:	Coalition
Date of public release of policy:	22 August 2013
Agencies from which information was obtained:	Not applicable

Costing overview

This proposal is expected to decrease the underlying cash and fiscal balances by $39.7 million over the 2013-14 Budget forward estimates period. This is entirely due to an increase to expenses. This proposal will have an ongoing impact that extends beyond the forward estimates period and is expected to grow in line with the trend growth exhibited in the forward estimates.

This costing is considered to be of medium reliability as it is based on forecasts of costs for intern training placements and estimated administrative funding, that in actual terms may vary.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-5.5	-11.2	-11.4	-11.6
Fiscal balance ($m)	-5.5	-11.2	-11.4	-11.6

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms

Key assumptions

In costing the proposal, the PBO has assumed that New South Wales cost factors for internships are a reasonable estimate for other jurisdictions.

POLICY COSTING – POST ELECTION REPORT

Methodology

The costing was calculated by multiplying the cost of an individual intern place, derived by adding the intern salary of $57,422 and fixed costs (including training) per intern of $50,943, by 100 new places to total $10.8 million.

As the intern salary and fixed cost factors used were from 2012, the forward estimates were calculated by applying indexation and the 2013-14 estimate was halved to account for the 1 January 2014 start date.

No departmental funding was provided as postgraduate medical internships are managed by State and Territory Governments (see Data sources).

Data sources

- University of Sydney School of Medicine, 2012, Study of internship program costs: http://www.heti.nsw.gov.au/Global/HETI-Resources/prevocational/Med-Ed-Forum/13%20internship%20program%20costs.pdf
  - Annual intern salary of $57,422 and fixed costs (including training) per intern of $50,943.
- Report on the Audit of Health Workforce in Rural and Regional Australia: http://www.health.gov.au/internet/publications/publishing.nsf/Content/work-res-ruraud-toc~work-res-ruraud-3~work-res-ruraud-3-2~work-res-ruraud-3-2-1~work-res-ruraud-3-2-1-med
  - Following completion of medicine at university, all students are required to complete an intern year (PGY1) prior to being eligible for registration. This training year is completed in the hospital sector and therefore funded and managed by State and Territory Governments.
- 2013 PEFO report parameters

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal to be costed:	**Full implementation and expansion of bowel cancer screening**
Summary of proposal:	This proposal will accelerate the expansion of the National Bowel Cancer Screening (NBCS) program so that all Australians aged 50 to 74 are eligible for biennial bowel cancer screenings by 2020-21. The proposal will have effect from 1 July 2015.
Party:	Coalition
Date of public release of policy:	22 August 2013
Agencies from which information was obtained:	Department of Health and Ageing

Costing overview

This proposal is expected to decrease the underlying cash and fiscal balances by $46.3 million over the 2013-14 Budget forward estimates period. This is entirely due to an increase in expenses.

This proposal will have an impact that extends beyond the forward estimates period, with the full annual cost expected to peak when implementation under this proposal is reached in the 2020-21 financial year.

This proposal extends a current program for which funding already exists in the estimates. Under current policy settings:

- for the period until 1 July 2015, all Australians are eligible to participate in the NBCS program in the year in which they turn 50, 55, 60 or 65, and
- from 1 July 2015, eligibility for this program will be expanded such that by 2033-34 all Australians aged 50 to 74, will be eligible to participate in the NBCS program on a biennial basis.

The additional impact from 2015-16 to 2033-34 is estimated to be $850.1 million.

Details of the gross cost of the accelerated introduction of biennial screening, the current estimates, and the net impact on the Budget bottom-line can be found in Table A1 at Attachment A. Taking into account funding which is currently factored into the medium term estimates, the net impact of this proposal will continue to diminish from 2021-22 until 2033-34. From 2033-34 onwards there will be no additional impact associated with this proposal as it will align with the current implementation arrangements of the program.

POLICY COSTING – POST ELECTION REPORT

This costing is considered to be of high reliability as gross costs for the proposal have been calculated using the current forward estimate model for the NBCS program with the eligible population figures adjusted to reflect the accelerated expansion schedule. It should be noted that any change to the implementation schedule assumed in this costing would see changes to the cost of this proposal.

No additional departmental funding for the Department of Health and Ageing (Health) has been included in this costing as the PBO considers that current departmental funding of approximately $1.3 million per year is sufficient to manage the accelerated expansion of the program. Under the operations of the NBCS program, administrative costs for the Department of Human Services (DHS) are appropriated to Health who then reimburses DHS for their costs. These administrative costs for DHS are embedded within the established forward estimates model for the NBCS program and have subsequently increased in line with the accelerated rollout of the program.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-	-7.0	-39.4
Fiscal balance ($m)	-	-	-7.0	-39.4

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

Key assumptions

The PBO has assumed that:

- consistent with the current schedule for expanding eligibility, the point at which new age cohorts are added to the program will preference older persons, and the current phasing in of biennial screening over a 19 year period (2015-16 through to 2033-34) will be compressed into a six-year period (2015-16 through to 2020-21), and
- the average cost per eligible participant is unchanged by the acceleration of the expansion of the program.

Methodology

Based on the assumed accelerated expansion schedule, new eligible population estimates were derived. These new eligibility estimates were then entered into the current NBCS program forward estimates model to determine the gross costs of the accelerated expansion of the program. The estimates currently factored into the forward estimates for the existing NBCS program were subtracted from the costs of this proposal to provide the net impact to the budget bottom-line.

Data sources

- National Bowel Cancer Screening - 2012 Model - Data as of July 2013.

ATTACHMENT A: BREAKDOWN OF COSTS

Table A1: Estimates and net impact until 2033-34 [(a)]

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
National Bowel Cancer Screening Program – Accelerated Expansion – Gross Cost	-	-	-70.6	-104.2	-107.8	-151.4	-142.9	-176.8	-185.9	-191.3	-196.4
National Bowel Cancer Screening Program – Current estimates	-	-	63.7	64.8	70.0	76.6	90.0	92.4	110.0	127.0	132.1
Net Impact	**-**	**-**	**-7.0**	**-39.4**	**-33.8**	**-74.7**	**-53.0**	**-84.5**	**-75.9**	**-64.4**	**-64.3**
	2024-25	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**2030-31**	**2031-32**	**2032-33**	**2033-34**	**Total**
National Bowel Cancer Screening Program – Accelerated Expansion – Gross Cost	-202.1	-207.0	-212.4	-217.5	-223.7	-229.5	-236.3	-242.5	-250.0	-254.4	**-3,602.8**
National Bowel Cancer Screening Program – Current estimates	135.7	155.0	158.5	179.8	185.7	208.8	196.7	220.5	227.0	254.4	**2,752.7**
Net Impact	**-66.4**	**-52.0**	**-53.9**	**-37.7**	**-38.0**	**-20.6**	**-39.5**	**-22.0**	**-23.0**	-	**-850.1**

(a) Totals may not add due to rounding.

Reference No. *COA028*

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**The Coalition's policy to index the Commonwealth Seniors Health Card**
Summary of proposal:	The proposal will index the income limits for the Commonwealth Seniors Health Card (CSHC) by the Consumer Price Index (CPI) on an annual basis, with indexation occurring in September each year. The current income limits are: • a combined adjusted taxable income of $80,000 per year for couples, and • an adjusted taxable income of $50,000 for singles. The proposal will have effect from 20 September 2014.
Party:	Coalition
Date of public release of policy:	25 August 2013
Agencies from which information was obtained:	Department of Health and Ageing

Costing overview

This proposal is expected to decrease both the underlying cash and fiscal balances by $101.8 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses.

This estimate includes departmental expenses totalling $2.3 million over the same period.

This proposal will have an ongoing and compounding impact beyond the 2013-14 Budget forward estimates period.

A disaggregation of the costing can be found at Attachment A.

The administered expenses of the proposal consist of two major components:

- the Seniors Supplement cash payment, which is made to CSHC recipients on a quarterly basis, and
- concessional health benefits, such as a lower threshold for the Extended Medicare Safety Net, bulk-billed general practitioner appointments and access to medicines listed on the Pharmaceutical Benefits Scheme (PBS) at the concessional rate.

Other benefits to cardholders, such as concessional travel, are not expected to significantly impact Australian Government budget aggregates.

POLICY COSTING – POST ELECTION REPORT

The departmental expenses consist of an upfront component for departments to update information on CHSC eligibility for the introduction of indexation, and an ongoing component due to Centrelink administering the CHSC for additional recipients.

This costing is considered to be of low reliability, as it is based on a small sample of survey data. The estimates are sensitive to the distribution of income for members of the population above Age Pension age, and the degree to which higher income health card holders access the concessional benefits associated with the card.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-0.5	-14.2	-33.4	-53.7
Fiscal balance ($m)	-0.5	-14.2	-33.4	-53.7

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in payments in cash terms.

Key assumptions

- There is assumed to be full take-up of CSHC by the population who become eligible under the proposal.

Methodology

- Forecasts of CPI from the 2013 Pre-Election Economic and Fiscal Outlook (PEFO) report have been used to estimate the indexed thresholds and the value of the Seniors Supplement across the forward estimates period.
- The STINMOD microsimulation model has been used to estimate the number of additional seniors who will receive the CSHC.
- The number of additional CSHC holders has been multiplied by the estimated Seniors Supplement rate to provide an estimate of the impact on Seniors Supplement payments.
- The number of additional card holders has been multiplied by the average utilisation of concessional Medicare benefits by current CSHC holders to provide an estimate of the impact on Medicare expenses.
- The average annual utilisation of the PBS by current Commonwealth concession card holders aged 65 or more has been multiplied by the expected increase in CHSC holders to give an estimate of the impact of the proposal on PBS expenses.
- Departmental expenses have been estimated based on previous Budget measures and the Centrelink unit pricing costs for administering the CSHC.

Data sources

- Economic parameters as at the 2013 PEFO.
- STINMOD, a microsimulation model of the Australian personal tax and transfer system, which is based on household income survey data from 2007-08 and 2009-10.

POLICY COSTING – POST ELECTION REPORT

- The Department of Health and Ageing has provided information on the level of concessional medical benefits currently utilised by CSHC holders.
- The Department of Human Services has provided unit pricing costs for Centrelink payments from its departmental funding model.

ATTACHMENT A: DISAGGREGATION OF COSTING

Table A1 provides a disaggregation of the expense impact of the proposal to index the CSHC income limit to the CPI.

Table A1. Disaggregation of costing

Expense ($m)	2013-14	2014-15	2015-16	2016-17	**Total**
Seniors' Supplement Payments	-	5.0	12.0	19.0	36.0
Medical Concessions	-	8.5	21.0	34.0	63.5
Total administered expenses	-	**13.5**	**33.0**	**53.0**	**99.5**
Departmental expenses	**0.5**	**0.7**	**0.4**	**0.7**	**2.3**
Total expenses	**0.5**	**14.2**	**33.4**	**53.7**	**101.8**

Reference No. COA032

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**The Coalition's policy for Better Apprentice Support**
Summary of proposal:	The proposal will create interest-free income-contingent Trade Support Loans of up to $20,000 over four years to assist apprentices with everyday costs during an apprenticeship. Trade Support loans will be repayable at the same income thresholds as FEE-HELP loans, currently set at $51,309. Apprentices who successfully complete their apprenticeships will receive an immediate 20 per cent discount on the nominal value of their Trade Support Loans. The proposal will only apply to apprentice occupations listed on the National Skills Needs List (NSNL). The proposal will have effect from 1 July 2014.
Party:	Coalition
Date of public release of policy:	25 August 2013
Agencies from which information was obtained:	Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (DIICCSRTE)

Costing overview

This proposal is expected to decrease the underlying cash balance by $57.3 million and the fiscal balance by $85.3 million over the 2013-14 Budget forward estimates period. This is entirely due to an increase in expenses. The proposal is also expected to decrease the headline cash balance over the same period by $1.9 billion.

This proposal will have an ongoing financial impact that extends beyond the forward estimates. Financial implications between 2013-14 and 2024-25 are at Attachment A.

Departmental costs are estimated at $10.3 million over the 2013-14 Budget forward estimates period, which includes $5.0 million for changes to IT systems and implementation costs in 2013-14, and approximately $1.8 million per annum for additional staff to implement and manage the new scheme.

This costing is considered to be of medium reliability because it is based on the trend in apprenticeship numbers over the period of 2007 to 2012 but does not take into account the potential behavioural change resulting from this proposal.

POLICY COSTING – POST ELECTION REPORT

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Headline cash balance ($m)	-5.0	-232.2	-851.5	-855.3
Underlying cash balance ($m)	-5.0	-1.8	-13.7	-36.8
Fiscal balance ($m)	-5.0	-8.7	-33.9	-37.7

(a) A negative number in the headline cash balance indicates the value of loan granted and departmental cost is greater than the value of repayment received. A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

Key assumptions

The PBO has assumed:

- the current trends in apprenticeship commencements would continue over the 2013-14 Budget forward estimates and beyond
- the rate of apprenticeship completions and attritions remain steady over the 2013-14 Budget forward estimates and beyond
- the repayment pattern, including the level of 'doubtful debt', would be consistent with the current pattern for HELP
- that all apprentices undertaking an apprenticeship in the NSNL would take up a Trade Support Loan, and
- the NSNL last updated at August 2012 would remain static over the period estimated.

Methodology

The estimated number of apprenticeship commencements for 2013 was calculated by applying an average growth rate (based on the last six years of data for commencements) to the total number of Certificate III and IV apprenticeship commencements in 2012. Estimates in subsequent years are derived by applying the same growth rate.

The average attrition and completion rate over the last six years was applied to each year to 2024-25. Consistent with the costing request, this proposal will be an element of HELP. Given this, the HELP forward estimates model was used to cost the proposal.

Data sources

- Department of Industry, Innovation, Climate Change, Research, Science, and Tertiary Education
  - Australian Vocational Education and Training Statistics: Apprentice and Trainee, July 2013
  - Higher Education Loan Program forward estimates model

ATTACHMENT A: FINANCIAL IMPLICATIONS BETWEEN 2013-14 AND 2024-25

($m) [(a)]	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Headline cash balance	-5.0	-232.2	-851.5	-855.3	-860.9	-867.4	-874.2	-881.2	-888.1	-895.2	-902.3	-909.4	**-9,022.7**
Underlying cash balance	-5.0	-1.8	-13.7	-36.8	-68.9	-110.1	-101.8	-90.6	-76.5	-59.5	-39.4	-16.9	**- 621.0**
Fiscal balance	-5.0	-8.7	-33.9	-37.7	-50.0	-73.9	-52.5	-30.6	-7.7	16.0	40.6	66.2	**- 177.2**

(a) A negative number in the headline cash balance indicates the value of loan granted and departmental cost is greater than the value of repayment received. A positive number for the fiscal balance indicates an increase in revenue in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue in cash terms. A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

Reference No. COA040

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Community Development Grants programme** **Redirect Building Better Regional Cities programme**
Summary of proposal:	The proposal will establish the Community Development Grants Programme (CDGP), partly funded by redirecting funds from the Building Better Regional Cities programme (BBRCP). This proposal will take effect in 2013-14.
Party:	Coalition
Date of public release of policy:	8 February 2013
Agencies from which information was obtained:	Department of Social Services

Costing overview

This proposal is expected to decrease the underlying cash and fiscal balances by $340.8 million over the 2013-14 Budget and forward estimates. This is due to an increase in expenses of $342 million for the CDGP, offset partly by the reallocation of uncommitted funding already included in the Budget for BBRCP ($1.2 million).

Item 7.9 of the *Fiscal Budget Impact of Federal Coalition Policies* document showed that $25 million in 2013-14 would be redirected from BBRCP to CDGP. However, the Department of Social Services has advised that the existing funding under the BBRCP includes unallocated funding of $1.2 million and contractual commitments of $48.7 million in 2013-14. The high level of contractual commitments in 2013-14 reflects the fact that this is the final year of a terminating program.

The impact of redirecting funding from BBRCP is considered to be of high reliability as it is based on recent advice from the Department of Social Services. The cost of the Community Development Grants Program is considered of high reliability as it is based on the capped amounts in the party's policy.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-0.8	-160.0	-160.0	-20.0
Fiscal balance ($m)	-0.8	-160.0	-160.0	-20.0

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

POLICY COSTING – POST ELECTION REPORT

Details of the components of this costing are provided in the table below.

Table 2: Elements of the costing (a)

Element ($m)	2013-14	2014-15	2015-16	2016-17	Total
CDGP	-2.0	-160.0	-160.0	-20.0	-342.0
BBRCP uncommitted funding	1.2	-	-	-	1.2
Total	-0.8	-160.0	-160.0	-20.0	-340.8

(a) Impacts are the same on both a fiscal balance and underlying cash balance basis. A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

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Reference No. *COA042*

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Incentives to employers to employ over 50s**
Summary of proposal:	The proposal will introduce a Seniors Employment Incentive payment to employers who take on mature job seekers aged 50 or over and are unemployed for six months or more. After six months of continuous employment, there will be 13 fortnightly payments of $250 to the employer as long as the job seeker remains employed. The proposal will have effect from 1 July 2014.
Party:	Coalition
Date of public release of policy:	4 September 2013
Agencies from which information was obtained:	• Department of Employment • Department of Social Services

Costing overview

This proposal is expected to decrease both the underlying cash and fiscal balances by $165.6 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses. The proposal will have an ongoing impact that extends beyond the forward estimates period at a level similar to the estimate in 2016-17.

Departmental costs of $0.6 million per year have been included in this costing based on advice provided by the former Department of Education, Employment and Workplace Relations.

The proposal includes savings of $5.5 million in 2014-15 and $2.5 million in 2015-16 as it replaces the current '10,000 jobs bonuses' component of the 2012-13 Budget measure *Economic Potential of Senior Australians – Employment assistance*, and the Enhanced Wage Subsidy scheme, which was announced as part of the Building Australia's Future Workforce Initiative in the 2011-12 Budget.

This costing is considered to be of medium reliability as there is limited data available on job outcomes of mature aged workers who meet the eligibility criteria for this proposal.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-18.3	-72.4	-74.9
Fiscal balance ($m)	-	-18.3	-72.4	-74.9

(a) A negative number for the fiscal balance indicates a net increase in expenses in accrual terms. A negative number for the underlying cash balance indicates a net increase in expenditure in cash terms.

POLICY COSTING – POST ELECTION REPORT

Key assumptions

Utilising a range of statistics published by the Australian Bureau of Statistics and the former Department of Families, Housing, Community Services and Indigenous Affairs as proxies, and administrative data provided by the former Department of Education, Employment and Workplace Relations, the PBO has made the following assumptions:

- The proportions of Newstart Allowance and Disability Support Pension (DSP) recipients aged 50 or over are 25.9 per cent and 55.9 per cent, respectively.
- The proportions of Newstart Allowance, DSP and Age Pension recipients, who are aged 50 or over and seeking employment are 45.5 per cent, 12.2 per cent and 4.85 per cent, respectively.

Based on a similar costing completed in the past, the PBO has assumed that in any one year, 10 per cent of mature age job seekers find a job and remain employed for a minimum of six months.

Furthermore, the PBO has made the following assumptions in costing this proposal:

- Subsequent to the initial six months of employment, 5 per cent of the employees remaining would leave their employer each month.
- 100 per cent of employers who hire an eligible mature age worker would take up the incentive payment on the basis that doing so is in their own best interest.
- The *Coalition's Plan to Grow Tasmania*, which includes a similar trial jobs program, would have a negligible impact on the demand for this program.

Methodology

The assumptions outlined in the first two dot points in *Key assumption*s are applied to the total benefit recipient population to arrive at the population of eligible job seekers. The remaining assumptions were then applied to this population to arrive at the number of job seekers expected to find a job and remain employed for at least six months. This figure was then multiplied by the value of each fortnightly payment to determine the cost of the proposal.

Data sources

- 2012-13 Budget Paper No.2, pg. 110
  - Expense measure 'Economic Potential of Senior Australians – Employment assistance'
- Former Department of Families, Housing, Community Services and Indigenous Affairs
  - Estimates of DSP and Age Pension recipient population
  - *Statistical Paper No. 10 – Income support customers: a statistical overview 2011*
  - *Characteristics of Disability Support Payment Recipients, June 2011*
- Former Department of Education, Employment and Workplace Relations
  - Estimates of Newstart Allowance recipient population
  - Enhanced Wage Subsidy information portal https://deewr.gov.au/enhanced-wage-subsidy

- Australian Bureau of Statistics
  - *Disability and Work*, article in *Australian Social Trends*, Catalogue Number 4102.0, March Quarter 2012

Reference No. COA043

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Jobseeker relocation allowance and job commitment bonus for young people**
Summary of proposal:	The proposal will introduce two initiatives aimed at increasing employment participation. i) Jobseeker relocation allowance This initiative will provide unemployed jobseekers on Newstart Allowance a payment of up to \$6,000 if they relocate to take up a job. Jobseekers will be provided with \$3,000 if they relocate to a metropolitan area and \$6,000 if they relocate to a regional area. Jobseekers with dependent children will also be eligible for an additional payment of up to \$3,000. Jobseekers that do not remain employed for at least six months will be ineligible to receive further benefits for a six month period, unless reasonable grounds for job separation can be demonstrated. Employers will receive a payment of \$2,500 for employing an eligible jobseeker under this policy. Payments will be made at \$500 per week for the first five weeks of employment. ii) Job commitment bonus The initiative will provide bonus payments to long term unemployed Newstart Allowance and Youth Allowance (Other) recipients, aged 18 to 30, who find employment and remain employed for a continuous period of 24 months. The bonus payments will be made after 12 and 24 months of continuous employment for the amounts of \$2,500 and \$4,000 respectively. This proposal will have effect from 1 July 2014.
Party:	Coalition
Date of public release of policy:	27 August 2013
Agencies from which information was obtained:	• Department of Education • Department of Finance

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POLICY COSTING – POST ELECTION REPORT

Costing overview

This proposal is expected to decrease the underlying cash and fiscal balances by $74.5 million over the 2013-14 Budget forward estimates period. This proposal will have an ongoing impact that extends beyond the forward estimates period.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-0.5	-4.8	-20.9	-48.3
Fiscal balance ($m)	-0.5	-4.8	-20.9	-48.3

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

The costings for each component of this policy are outlined separately in the sections below.

(i) Jobseeker relocation allowance

Overview

This initiative is expected to increase the underlying cash and fiscal balances by $17.4 million over the 2013-14 Budget forward estimates period. This impact is due to a net decrease in expenses.

Departmental costs of $2.0 million per year have been included in this costing. Of this, $0.5 million will be for the Department of Education to implement the policy and $1.5 million for the Department of Human Services to manage the program. These estimates are based on analysis undertaken in costing this proposal following the 2010 Election. Departmental costs will flow from 2013-14 to allow for the program to be set up prior to commencement.

This element of the costing is considered to be of high reliability as it is based on the results of a pilot program with a similar purpose and the same incentive payments.

Table 2: Financial implications (outturn prices)[(a) (b)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-0.5	-2.4	7.8	12.4
Fiscal balance ($m)	-0.5	-2.4	7.8	12.4

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms. A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a decrease in expenses in cash terms.

(b) Differences between totals are due to rounding.

Key assumptions

The PBO assumes that the eligibility criteria and take up of this policy will be similar to the *Connecting People with Jobs* pilot program which was in operation from 1 January 2011 through to 31 December 2012. This pilot allocated funding for up to 4,000 individuals to be compensated for relocating for employment. The payment rates for the pilot were the same as those proposed in this policy.

While a majority of people claiming the Newstart allowance were eligible, only 1,031 people relocated for employment as part of this pilot over the two year period.

Guided by data generated from the pilot program, PBO has made the following assumptions:

- 88 per cent of people claiming the Newstart allowance will be eligible for relocation grants.
- This is a demand driven program and based on the take up rates of the pilot program, it is estimated that approximately 680 people per year will access relocation grants. Of these, 26 per cent will be relocated to metropolitan areas, 74 per cent to regional areas. Of people relocating under the program, 22 per cent will have dependents and be eligible for an additional payment.
- Savings from pausing benefit payments of jobseekers that do not remain employed for at least six months are expected to be minimal and have not been included in this costing. Of the 1,031 participants in the pilot program, only four people had their payments paused as a result of not remaining in employment for six months.

Further to this the PBO has made the following assumptions:

- Each participant will exhaust the full amount of funding to which they are eligible.
- On the basis that the program will be managed in a way that ensures relocation bonuses will be directed to filling vacancies that employers are unable to fill from within their own region, savings to Newstart Allowance will be a direct effect of the proposal
  - Based on the average length of time a person would have spent on Newstart had they not participated in the program, the growth in the number of participants no longer claiming Newstart plateaus after two years.

Methodology

Using the assumptions outlined above the PBO derived the overall costs by forecasting the:

- Newstart population who would be eligible to apply for grant funding
- take-up rate and participants each year
- split between those relocating to metropolitan and regional areas, as well as participants with dependents who will be eligible for additional funding, and
- savings to Newstart as a result of this proposal.

(ii) Job commitment bonus

Overview

This initiative is expected to decrease both the underlying cash and fiscal balances by $91.9 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses.

Individuals will be eligible from 1 July 2015 for the 12 month job commitment bonus payment with the full year ongoing impact of this proposal evident from 1 July 2016 when both 12 and 24 month bonus payments will be available to eligible recipients.

Departmental costs of $2.5 million per year from the start date of 1 July 2014 have been included in this costing based on advice DEEWR and Centrelink provided to Finance in costing this proposal following the 2010 Election.

This element of the costing is considered to be of medium reliability as there is limited data available on the job outcomes of long term unemployed beyond 12 months of leaving income support.

Table 3: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-2.5	-28.7	-60.7
Fiscal balance ($m)	-	-2.5	-28.7	-60.7

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

Assumptions

The PBO has made the following assumptions in costing this proposal:

- Approximately 14 per cent of individuals receiving Youth Allowance (Other) and 8 per cent of individuals receiving Newstart Allowance are long term unemployed, seeking employment and aged 18 to 30. This is consistent with information reported by FaHCSIA in *Income support customers: a statistical overview 2011.*
- In a twelve month period, 39 per cent of long term unemployed individuals will find a job. It is assumed that job outcomes described by duration of unemployment in DEEWR's *Labour Market Assistance Outcomes Report – September 2012*, apply equally across age groups.
- Three months after finding a job, 65 per cent of previously long term unemployed individuals will still be employed (according to DEEWR's *Labour Market Assistance Outcomes Report – September 2012*). Of this cohort, it is estimated that approximately 60 per cent will not have returned to welfare after 12 months based on advice provided by DEEWR. It is assumed that not returning to welfare is equivalent to remaining employed for the purposes of this costing.
- Of the cohort of long term unemployed who reach 12 months employment, it is assumed that 80 per cent will remain employed at the end of 24 months. This is consistent with the average tenure of individuals currently employed for more than one year with their current employer as reported by the ABS in *Labour Mobility, Australia February 2012.*

Methodology

Using the assumptions outlined above, the population of eligible individuals expected to find a job and remain employed for at least 12 and 24 months was multiplied by the bonus payment of $2,500 and $4,000 respectively as specified in the policy document, with departmental costs added to the total.

POLICY COSTING – POST ELECTION REPORT

Data sources

- Australian Bureau of Statistics
  - Labour Mobility, Australia - February 2012
- Department of Education, Employment and Workplace Relations
  - Information on the utilization and eligibility requirements of the Connecting People with Jobs pilot program from 1 January 2011 through to 31 December 2012
  - Labour Market Assistance Outcomes Report – September 2012 - http://foi.deewr.gov.au/system/files/doc/other/labour_market_assistance_outcomes_september_2012.pdf
  - Projections of the numbers of Newstart Allowance recipients
- Department of Families, Housing, Community Services and Indigenous Affairs
  - Statistical Paper No. 10 – Income support customers: a statistical overview 2011
- Questions on Notice
  - DEEWR Question No. EW0645_13, Supplementary Budget Estimates 2012-13, Senate Standing Committee on Education Employment and Workplace Relations.

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal to be costed:	**Clear 30,000 Border Backlog**
Summary of proposal:	The proposal will alter Government policy for the processing of Irregular Maritime Arrivals (IMAs) by: • stopping the use of Special Humanitarian Program (SHP) Visas to settle IMAs in the community • introducing Temporary Protection Visas (TPVs) granted for a maximum of three years • restricting eligibility for Protection Visas (PVs) to IMAs who have held a TPV for at least five years • removing the benefit of the doubt for IMAs who do not have travel and identity documentation • replacing the current statutory review process for negative refugee status assessments for IMAs with a non-statutory review, and • introducing a 'rapid assessment' for IMAs who the Department of Immigration and Border Protection suspect (on arrival) are not likely to be genuine refugees, and a 'rapid removal' process for those found not to be refugees. The proposal will have effect in 2013-14.
Party:	Coalition
Date of public release of policy:	5 September 2013
Agencies from which information was obtained:	• Department of Immigration and Border Protection (DIBP) • Department of Finance

Costing overview

This proposal is expected to increase both the underlying cash balance and fiscal balance by $39.8 million over the 2013-14 Budget forward estimates period. This impact is entirely due to a net decrease in expenses.

Departmental costs have been included in this costing as they are built into DIBP's *Demand Driven Model for Irregular Maritime Arrivals* (DIBP's Model) (see Methodology).

The costing is considered to be of low reliability as it uses DIBP's Model, which was built to reflect specific policy parameters under the Labor Government's border protection policies. Any changes in the Model's key variables would also affect the estimated savings. These key variables include the actual number of IMAs in any given month, detainee placement across the detention network, and the actual number of people settled or returned to their country of origin.

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POLICY COSTING – POST ELECTION REPORT

The estimates in this costing differ from those presented in the Coalition's report due to the PBO's use of DIBP's Model, which the Coalition did not have access to at the time of their costing.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-34.2	54.6	28.5	-9.2
Fiscal balance ($m)	-34.2	54.6	28.5	-9.2

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms. A positive number for the underlying cash balance indicates a decrease in expenses in cash terms.

Key assumptions

Based on information provided by the Coalition in relation to new and existing asylum seekers in detention and the community, the proposal assumes that:

- the combined effect of policies to remove the benefit of the doubt for IMAs who do not have identity documentation, to replace statutory reviews with non-statutory reviews, and to implement a 'rapid assessment' and 'rapid removal' process, will be to increase the monthly removal rate of IMAs from the current rate of 6 per cent to 50 per cent and to decrease the time it takes to removal from the current average of 75 days to 49 days
- the combined effect of withdrawing Humanitarian Program Visas for IMAs, replacing these with TPVs, and restricting eligibility for PVs to those IMAs who have held a TPV for at least five years, will increase by five years the time it takes to settle an asylum seeker found to be a genuine refugee (currently an average of around six months)
- unlike the current cap on PV places of 7,000 per annum, there will be no cap applied on the number of TPVs granted
- IMAs will be processed at Regional Processing Centres (RPCs) as a matter of priority, and only when RPCs are full would they be processed onshore in detention or the community, and
- asylum seekers processed and given a TPV on RPCs will be transferred onshore to reside in the community with work rights until they are settled on a PV, or if circumstances change in their home country, returned home.

In addition, the PBO has assumed that:

- TPVs cost the same to assess and administer as PVs, and
- TPVs will be granted for a full three years and then be renewed for a further three years after which point the holder will be eligible to apply for a PV.

Finally, the proposal has been costed assuming an interaction with the *Coalition's Policy for a Regional Deterrence Framework to Combat People Smuggling* (COA150) and the *Coalition's Dividend from Stopping the Boats* (COA047). To account for these interactions, the PBO has used Coalition specified arrivals numbers and increased offshore processing capacity of 2,000 on Nauru.

POLICY COSTING – POST ELECTION REPORT

Methodology

The PBO started with DIBP's Model as at the Pre-election Economic and Fiscal Outlook (PEFO) in September 2013 and made changes to its parameters to reflect the assumptions made above. The difference between the Model's estimates at PEFO and the Model's estimates with the Coalition's changed parameters is the financial impact of this proposal.

Data sources

- Immigration's Demand Driven Model for Irregular Maritime Arrivals
- The Coalition's Policy to Clear Labor's 30,000 Border Failure Backlog, accessed: http://lpaweb-static.s3.amazonaws.com/Policies/ClearLabor30000BorderFailureBacklog.pdf.