2017-18 Federal Budget Construction Industry Summary

This document is a summary of the 2017-18 Budget Papers relevant to the Australian construction industry, as well as media releases about the Budget from some organisations in the industry. All text is taken directly from the relevant publications.

Treasurer's Speech

To support growth we choose to invest in building Australia, rail by rail, runway by runway and road by road.

We will establish the Western Sydney Airport Corporation to build and operate the new Western Sydney airport, creating 20,000 jobs by the early 2030s and 60,000 in the longer term.

We will inject up to $5.3 billion in equity over the next ten years into this company.

Earth moving works will commence on the 1800-hectare site in the second half of next year and Western Sydney Airport will be delivered in 2026.

The *Snowy Mountains Scheme* is the benchmark for nation building infrastructure.

The Prime Minister has announced our intention to further develop the Snowy Hydro with Snowy 2.0. Tonight we announce our intention to go further.

The Commonwealth is open to acquiring a larger share or outright ownership of Snowy Hydro, from the NSW and Victorian State Governments, subject to some sensible conditions.

First, all funds received by the States would need to be reinvested in priority infrastructure projects.

Second, Snowy Hydro's obligations under its water licence would be reaffirmed and we would commit to work together to expedite and streamline environmental and planning processes associated with Snowy 2.0, without compromising any standards or controls.

Third, Snowy Hydro would have to remain in public hands.

We have already begun discussions with NSW and invited similar discussions with Victoria.

Tonight, we announce we will deliver $75 billion in infrastructure funding and financing over the next ten years.

$844 million will be used to upgrade the Bruce Highway, including $530 million for works from Pine Rivers to Caloundra.

In Western Australia we are investing $1.6 billion in infrastructure, including funding for better road access to the Fiona Stanley Hospital precinct.

In Victoria, we will make $1 billion available for regional rail and other infrastructure projects, including $30 million to develop a business case for a rail link to Tullamarine Airport. A new $500 million Victorian regional rail fund will include $100 million for the duplication of the Geelong-Waurn Ponds line.

In addition, the Turnbull Government will establish a $10 billion National Rail Programme to deliver rail projects that provide better connections for our cities and regions and create new opportunities to grow our economy.

Projects such as Adelink, Brisbane Metro, Tullamarine Rail link, Cross River Rail in Brisbane, and the Western Sydney Airport Rail link, all have the potential to be supported through this programme, subject to a proven business case.

It is important to invest in infrastructure, but we have to make the right choices on projects, as part of a broader economic growth strategy.

Our new Infrastructure and Projects Financing Agency will help us make those right choices, recruiting people with commercial experience to ensure we use taxpayers' money wisely.

We must also choose to invest specifically for growth in our regions.

The Productivity Commission recently highlighted that some regional areas have been disconnected from our national growth.

So we will establish a $472 million Regional Growth Fund to back in the plans that regional communities are making to take control of their own economic future. This includes $200 million in funding to support a further round of the successful Building Better Regions programme.

In one of the biggest investments ever seen in regional Australia, the Government will fund the Melbourne to Brisbane Inland Rail project with $8.4 billion in equity to be provided to the Australian Rail Track Corporation. Construction on this 1,700 kilometre project will begin in 2017-18 and will support 16,000 jobs at the peak of construction. It will benefit not just Melbourne and Brisbane, but all the regions along its route.

Skilled migration has always played a significant role in driving our economic growth.

But it must be on our terms and we must skill more Australians to secure jobs.

Until now, employers have had to contribute 1 or 2 per cent of their payroll to training if they employ foreign workers. These requirements have proven difficult to police.

Accordingly, we are replacing these requirements with an annual foreign worker levy of $1,200 or $1,800 per worker per year on temporary work visas and a $3,000 or $5,000 one-off levy for those on a permanent skilled visa.

Over the next four years, $1.2 billion will be raised from this levy that will contribute directly to a new Commonwealth-State *Skilling Australians Fund*.

States and Territories will only be able to draw on this fund when they deliver on their commitments to train new apprentices.

We have also chosen to put downward pressure on rising housing costs

If a family or an individual has a roof over their head that they can rely on, then all of life's other challenges become more manageable.

Whether you are saving to buy a home, spending a high proportion of income on your rent, waiting for subsidised housing, or you're homeless, this is an important issue to you.

There are no silver bullets to make housing more affordable. But by adopting a comprehensive approach, by working together, by understanding the spectrum of housing needs, we can make a difference.

We will work with the States and Territories and local Governments to get more homes built, because prices are higher where demand is greater than supply.

The Commonwealth will replace the National Affordable Housing Agreement that provides $1.3 billion every year to the States and Territories, with a new set of agreements, with the same funding, requiring the States to deliver on housing supply targets and reform their planning systems.

We will also establish a $1 billion National Housing Infrastructure Facility, based on a UK model, to fund 'micro' city deals that remove infrastructure impediments to developing new homes.

An online Commonwealth land registry will be established detailing sites that can be made available for residential development.

In Melbourne, land for a new suburb that could cater for 6,000 new homes will be unlocked just 10km from the CBD, by releasing surplus Defence land at Maribyrnong.

The Turnbull Government will also help deliver tens of thousands of new homes needed in Western Sydney as part of our Western Sydney city deal.

A new National Housing Finance and Investment Corporation will be established by July 1 next year to provide long-term, low-cost finance to support more affordable rental housing. States and Territories will also be encouraged to transfer stock to the community housing sector.

Other measures to address supply include: allowing Managed Investment Trusts to be used to develop and own affordable housing, providing investors in affordable housing with greater income certainty by enabling direct deduction of welfare payments from tenants, and increasing the capital gains tax discount to 60 per cent for investments in affordable housing.

These measures will also support State, Territory and local governments imposing inclusionary zoning requirements on new development sites and provide more vehicles for superannuation funds to invest in affordable housing.

And tonight I announce $375 million for a permanent extension of homelessness funding to the States, with a continued focus on supporting young people and victims of domestic violence.

On the demand side, for those who are trying to save to buy their first home, we will support them by providing a tax cut on their first home deposit savings.

First home buyers will be able to save for a deposit by salary sacrificing into their superannuation account over and above their compulsory superannuation contribution from July 1.

The First Home Super Savers Scheme will attract the tax advantages of superannuation. Contributions and earnings will be taxed at 15 per cent, rather than marginal rates, and withdrawals will be taxed at their marginal rate, less 30 percentage points.

Savers will not have to set up another account, they can just use their existing super account and decide how much of their income they want to put aside to save for their first home deposit.

Contributions will be limited to $30,000 per person in total and $15,000 per year.

Under this plan, most first home savers will be able accelerate their savings by at least 30 per cent.

We will encourage older Australians to free up housing stock, by enabling downsizers over the age of 65 to make a non-concessional contribution of up to $300,000 into their superannuation fund from the proceeds of the sale of their principal home.

And on demand management, we will continue to prefer the scalpel to the chainsaw, to avoid a housing shock.

Mum and dad investors will continue to be able to use negative gearing, supporting the supply of rental housing and placing downward pressure on rents.

Our regulatory agencies will continue to use the flexible and calibrated controls they have available.

And we will legislate to extend APRA's ability to apply controls to the non-ADI sector and explicitly allow them to differentiate the application of loan controls by location.

Even tougher rules on foreign investment in residential real estate will be introduced, removing the main residence capital gains tax exemption, and tightening compliance.

We will also apply an annual foreign investment levy of at least $5,000 on all future foreign investors who fail to either occupy or lease their property for at least six months each year.

And we will restore the requirement that prevents developers from selling more than 50 per cent of new developments to foreign investors.

Together, these measures represent a comprehensive package that can make a difference.

Budget Overview Publications

- Extending the $20,000 instant asset write-off for businesses with annual turnover less than $10 million

  http://budget.gov.au/2017-18/content/glossies/overview/html/overview-02.htm

Focusing on jobs and skills training

The Government is taking action to safeguard Australian jobs and ensure Australians have the necessary training and skills to be job-ready.

The subclass 457 visa will be abolished. In its place, the Government will introduce a new temporary skill shortage visa which will have tighter conditions and stricter safeguards.

This will ensure that foreign workers are only brought into Australia to meet genuine skill shortages.

Requirements have been strengthened for English language attainment, work experience, visa renewals, eligibility for permanent residency, and criminal history checks.

Businesses that benefit from employing foreign workers on the new temporary skill shortage visa, as well as certain permanent skilled visas, will be required to contribute to the new *Skilling Australians Fund*.

Through the *Skilling Australians Fund*, the Government will provide ongoing funding to support the training of Australians. An estimated $1.5 billion will be provided to State and Territory governments over the first four years.

Spending from the Fund will be prioritised towards apprenticeships and traineeships. When matched with State and Territory funding, the *Skilling Australians Fund* will support up to 300,000 apprentices, trainees, pre-apprentices and higher level skilled Australians.

Priority will be given to occupations in high demand that currently rely heavily on skilled migration, future growth industries and rural and regional areas.

http://budget.gov.au/2017-18/content/glossies/overview/html/overview-04.htm

Building Australia

Investing in infrastructure in our cities and regions

The Government is committing over $70 billion from 2013-14 to 2020-21 to transport infrastructure across Australia, using a combination of grant funding, loans and equity investments.

The Government is establishing a 10-year allocation for funding road and rail investments, recognising that many transformational projects are planned and built over many years. This will deliver $75 billion in infrastructure funding and financing from 2017-18 to 2026-27.

This Budget expands the use of equity and debt financing to boost the Government's infrastructure investment.

New road and rail investments

The Government is establishing a $10 billion National Rail Program to fund regional and urban rail investments. The Government is also providing $500 million for Victorian regional passenger rail, including $100 million for a Geelong Rail Line Upgrade. A further $20.2 million is also being provided for Murray Basin Rail and $30 million to help plan a Tullamarine airport rail link.

In Queensland, the Government is providing $844 million for new Bruce Highway priority projects, including for a Pine River to Caloundra upgrade.

In Western Australia, the Government is providing $1.6 billion towards a $2.3 billion road and rail infrastructure package with the Western Australian Government. The package includes a combined $1.2 billion towards the METRONET rail project and $100 million for better road access to the Fiona Stanley Hospital precinct.

Western Sydney Airport

The Government is providing up to $5.3 billion establishing WSA Co to develop Western Sydney Airport.

Works will commence by late 2018 and airport operations by 2026, creating 20,000 jobs.

http://budget.gov.au/2017-18/content/glossies/overview/html/overview-05.htm

Melbourne to Brisbane Inland Rail

Work on one of the largest investments ever seen in regional Australia, the Melbourne to Brisbane Inland Rail, will commence in 2017-18.

The Government will provide an additional $8.4 billion equity investment to the Australian Rail Track Corporation to deliver Inland Rail.

http://budget.gov.au/2017-18/content/glossies/overview/html/overview-06.htm

Reducing pressure on housing affordability

Addressing housing affordability is a critical economic and social issue

Access to affordable and secure housing is critical for improving employment, education and health outcomes for Australians.

Despite record housing supply in recent years, a decade of subdued investment from the early 2000s had led to pent-up demand in some major cities.

An extended period of house price growth, particularly in Sydney and Melbourne, has resulted in young families delaying the purchase of their first home. These families are staying in the rental market for longer, adding pressure further down the housing spectrum on Australians waiting for affordable and social housing.

Since 2008, the Commonwealth has provided over $9 billion in payments to the States and Territories under the National Affordable Housing Agreement. There has been too little accountability for this spending and social housing stock has stagnated.

In this Budget, the Government is taking action to ensure Australians have more opportunities to own their own home or have access to affordable rental accommodation.

However, there is no silver bullet to solving housing affordability. The Government's plan to reduce pressure on housing affordability is a careful, calibrated and comprehensive response that will improve outcomes across the housing spectrum.

Government action must be responsive to evolving conditions in housing markets. That is why we are giving new powers to the Australian Prudential Regulation Authority to respond flexibly to financial and housing market developments that pose a risk to financial stability.

The Government's comprehensive, targeted plan will:

- unlock supply,
- create the right incentives, and
- improve outcomes for those most in need.

A comprehensive plan for all Australians

Affordable housing for all Australians

Unlocking supply

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

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

Creating the right incentives

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

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

Improving outcomes for those most in need

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

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

Reducing Pressure on Housing Affordability

Fact Sheet 1.1 - A Comprehensive Plan to Address Housing Affordability

The Government is providing housing solutions across the entire housing spectrum – from Australians struggling to put a roof over their head to those in affordable housing, private renters and first home buyers.

Access to secure and affordable housing has significant economic and social benefits. It can improve education and health outcomes, increase workforce participation and reduce welfare dependency.

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

The Government is delivering a comprehensive housing affordability plan designed to improve outcomes across the housing spectrum.

Overview

The Government is improving Australians' access to secure and affordable housing across the housing spectrum.

Unlocking supply

The Government will ease restrictions that are contributing to the supply of housing falling behind population growth and encouraging a more responsive housing market by:

- working with State and Territory governments to set housing supply targets and facilitate planning and zoning reform under a new National Housing and Homelessness Agreement;
- establishing a $1 billion National Housing Infrastructure Facility to address infrastructure chokepoints that are impeding housing development in critical areas of undersupply;
- establishing an online Commonwealth land registry that will provide more detailed information about Commonwealth land to external parties in a mapped format, allowing and encouraging proposals for higher value land use, including housing development proposals;
- releasing suitable surplus Commonwealth land starting with 127 hectares of Defence land in Maribyrnong, which is less than 10 kilometres from the Melbourne CBD and could support up to 6,000 new homes; and
- kick-starting planning and zoning reform across eight local government areas facing above average population growth and affordability pressures in Western Sydney through a new City Deal for Western Sydney.

Creating the right incentives

The Government is taking prudent steps to ensure incentives are better aligned with improving housing outcomes, including:

- assisting first home buyers to build a deposit inside superannuation. Voluntary contributions of up to $15,000 per year and $30,000 in total will attract concessional tax treatment under the First Home Super Saver Scheme. The scheme commences on 1 July 2017, and contributions and deemed earnings, net of tax, can be withdrawn from 1 July 2018;
- allowing older Australians to contribute downsizing proceeds into superannuation. From 1 July 2018, individuals aged 65 and over will be able to make a non-concessional contribution of up to $300,000 in proceeds from the sale of a principal residence, held for at least 10 years, into their superannuation. These new contributions will be in addition to any other voluntary contributions that people are able to make under the existing contribution rules and concessional and non-concessional caps;
- strengthening the capital gains tax (CGT) rules to reduce the risk that foreign investors avoid paying CGT in Australia, including by no longer allowing foreign or temporary tax residents to claim the main residence CGT exemption, and by expanding the scope of the CGT withholding system for foreign residents;
- safeguarding the opportunity for Australian buyers to purchase in new developments by introducing a 50 per cent cap on pre-approved foreign ownership in new developments; and

- encouraging foreign owners of residential real estate to rent their properties out by applying an annual charge of at least $5,000 (reflecting the original application fee) to foreign owners who leave their properties unoccupied or not available for rent for 6 months or more each year.

Improving outcomes for those most in need

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

- working with State and Territory governments to reform Commonwealth funding arrangements under a new National Housing and Homelessness Agreement, retaining current funding and indexation arrangements but requiring concrete outcomes;
- providing additional funding of $375 million over the next four years as part of the new National Housing and Homelessness Agreement to fund front line services to address homelessness;
- encouraging social impact investing to support innovative approaches to reduce homelessness;
- incentivising more private investment in affordable housing through tax incentives; and
- establishing the National Housing Finance and Investment Corporation to operate an affordable housing bond aggregator to provide cheaper and longer-term finance for the community housing sector.

http://budget.gov.au/2017-18/content/glossies/factsheets/html/HA_11.htm

Reducing Pressure on Housing Affordability

Fact Sheet 1.10 - Boosting affordable housing for Australians through investment tax incentives

The Government's comprehensive and targeted plan will create the right incentives to encourage investment in affordable rental housing.

The issue

The Government recognises the importance of investing in affordable housing to meet the housing needs of Australians now and into the future. This is why the Government is introducing tax incentives to boost investment in affordable housing.

Increasing the capital gains tax (CGT) discount for investors in affordable housing

From 1 January 2018, the Government will provide an additional 10 per cent CGT discount to resident individuals investing in qualifying affordable housing. This means investors in qualifying affordable housing will be entitled to a 60 per cent discount on capital gains tax.

To qualify for the additional discount, housing must be provided at below market rent and made available for eligible tenants on low to moderate incomes. Tenant eligibility will be based on household income thresholds and household composition.

The affordable housing must also be managed through a registered community housing provider and the investment held as affordable housing for a minimum period of three years.

The additional discount will be pro-rated for periods where the property is not used for affordable housing purposes.

Impact

Resident individuals investing in qualifying affordable housing will be eligible to receive the additional CGT discount. Non-residents will continue to be ineligible for the CGT discount.

The additional discount will also flow through to resident individuals investing in qualifying affordable housing through Managed Investment Trusts (MITs) where the property has been held for a minimum of three years (see next section).

Consistent with current rules, non-residents investing in eligible affordable housing through a MIT will not receive the additional CGT discount. However, they will generally be subject to a 15 per cent final withholding tax rate on capital gains after a qualifying investment period of 10 years.

Budget impact

This measure is estimated to have a cost to revenue of $15.0 million over the forward estimates period.

Encouraging Managed Investment Trusts (MITs) to invest in affordable housing

For income years starting on or after 1 July 2017, the Government will introduce new rules that enable MITs to acquire, construct or redevelop property to hold for affordable housing. Under the current law, the ATO has generally taken the view that investment in residential property is active, with a primary purpose of delivering capital gains from increased property values, and therefore taxed on income at a 30 per cent rate as it is not eligible for the MIT tax concessions which apply to passive investments only.

Consistent with current MIT withholding tax rules, non-resident investors who invest in these MITs from countries with which Australia has a recognised exchange of information arrangement, will generally be subject to a concessional 15 per cent final withholding tax rate on investment returns, including income from capital gains.

Resident investors in these MITs will continue to be taxed on investment returns at their marginal tax rates. Income from capital gains will be eligible for the increased CGT discount of 60 per cent, where applicable.

MITs must hold, and make available for rent, affordable housing assets for at least 10 years.

Should these assets be held for a period of less than 10 years, non-resident investors can still receive the concessional 15 per cent final withholding tax rate on investment returns, but will be subject to a 30 per cent final withholding rate on the proceeds of any capital gains.

Further, MITs must ensure that at least 80 per cent of their income is derived from affordable housing in an income year. Failing that, non-resident investors will be subject to a 30 per cent final withholding rate on all investment returns for any year this requirement is not met.

Impact

Foreign institutions and non-resident investors will now be able to invest in affordable housing through concessionally taxed MITs.

Resident individual investors will be able to pool their money with others to invest in qualifying affordable housing and receive the CGT discount, including the additional discount.

These changes create the right incentives to make more affordable housing available for Australians.

Budget Impact

This measure is estimated to have an unquantifiable cost to revenue over the forward estimates period.

Questions and Answers

How will affordable housing be defined and who will be eligible?

A property will qualify as 'affordable' housing if rent is charged at below market rate and it is made available for eligible tenants on low to moderate incomes.

Tenant eligibility will be based on household income thresholds and household composition.

The Government will consult further on the implementation of this policy, including on the precise definition of affordable housing and tenant eligibility, and what qualifies as rent charged below the market rate.

What role will Community Housing Providers (CHPs) have in managing

To qualify for the additional 10 per cent CGT discount, the affordable housing must be managed through a registered CHP.

CHPs will match eligible tenants with properties. Requiring individuals to have their property managed through a CHP will ensure the additional discount is provided for recognised affordable housing assets.

What is a registered CHP?

Currently most CHPs are regulated under the National Regulatory System for Community Housing, which is monitored and enforced by state based community housing registrars.

As part of the package to reduce pressure on housing affordability the Government will work with State and Territory governments to strengthen the national regulation of community housing providers.

I currently invest in affordable housing through the National Rental Affordability Scheme (NRAS). Will my NRAS investment be entitled to the 60 per cent CGT discount from 1 January 2018?

NRAS investments will not be eligible for the additional discount until they cease to be covered by NRAS. This is because NRAS providers already receive an annual financial incentive to supply affordable housing.

Can I claim the additional 10 per cent CGT discount for periods where the property was used for affordable housing before I purchased it?

Any period prior to purchase where the property has been used for affordable housing purposes will count towards the buyer's qualifying investment period, if the previous owner has not claimed the additional discount, and the property is used for affordable housing for an aggregate period of at least three years from 1 January 2018.

Why is there a minimum period for the property to be used for affordable housing?

To qualify for the 60 per cent CGT discount, an investment property must be supplied for affordable housing for a period in aggregate of at least three years from 1 January 2018. The additional discount will be pro-rated for periods where the property is not used for affordable housing purposes.

Requiring a minimum holding period is intended to encourage longer term investment in the supply of affordable housing, supporting the Government's aim of providing affordable housing for low income Australians.

In relation to MITs, the minimum holding period will also reinforce that the investment by the MIT is primarily passive, and therefore consistent with current MIT rules.

What if I'm not a resident from a country with which Australia has a recognised exchange of information agreement?

Foreign residents of non-Exchange of Information countries will be subject to a final withholding tax rate on fund payments of 30 per cent. This is consistent with the treatment of investors in existing MITs.

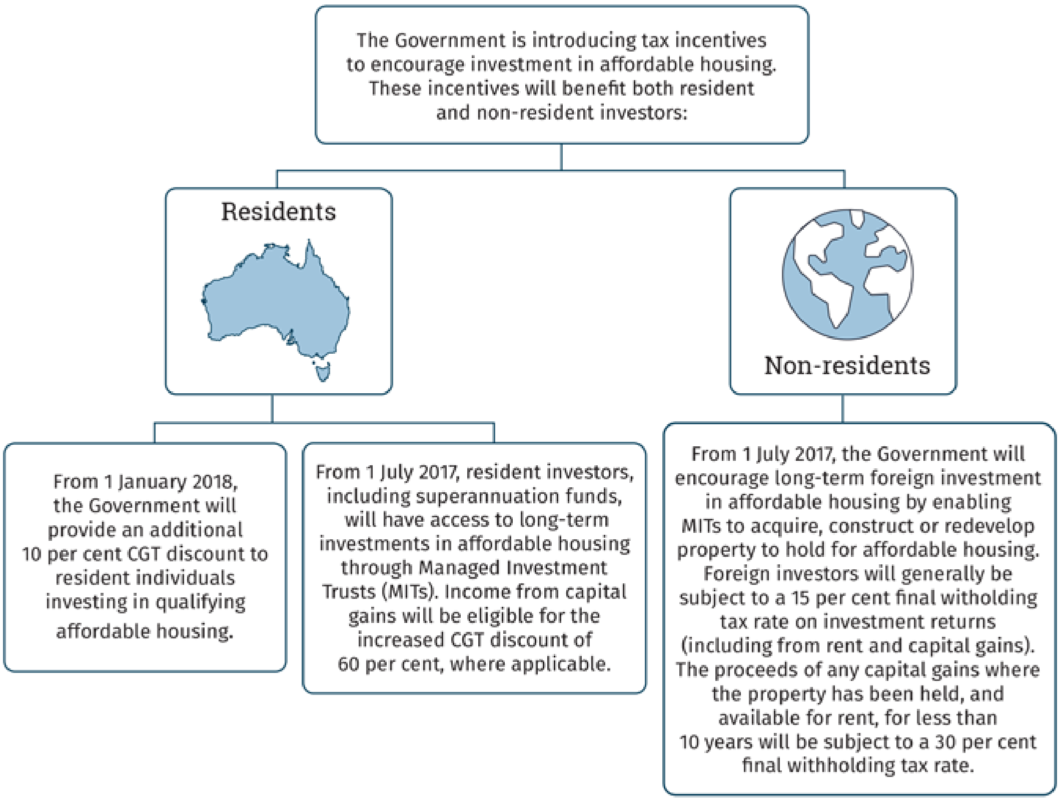
Will the additional 10 per cent CGT discount apply only to investments in new affordable housing?

The additional 10 per cent CGT discount will apply to investments in both new and existing affordable housing.

This means that, investors who elect to supply their existing properties for affordable housing will qualify for the additional 10 per cent discount from 1 January 2018, provided the investment meets the eligibility requirements.

Will superannuation funds be eligible to claim the additional 10 per cent CGT discount?

No. Superannuation funds already benefit from a lower tax rate of 15 per cent on earnings and a generous 33 1/3 per cent discount on income subject to CGT.



http://budget.gov.au/2017-18/content/glossies/factsheets/html/HA_110.htm

Budget Paper 1- Budget Strategy and Outlook

1-1

The Government is focusing on growing the economy to secure more and better paying jobs, by:

• Increasing its total funding and financing commitments to transport infrastructure projects to over $70 billion from 2013-14 to 2020-21, including an equity investment of up to $5.3 billion in a new Commonwealth-owned company, WSA Co, to develop Western Sydney Airport and an additional

$8.4 billion equity investment in the Australian Rail Track Corporation to deliver

Melbourne to Brisbane Inland Rail;

• Committing more than $533 million in new funding to infrastructure and community projects to improve the resilience, connectedness and adaptability of our regions, including a $472 million Regional Growth Fund;

• Putting Australian jobs first by better targeting skilled visas and introducing a

Skilling Australians Fund to ensure that employers of foreign workers are investing in training Australians to meet future skills needs, with a particular focus on apprenticeships and traineeships;

• Continuing to support small businesses by extending the $20,000 immediate deductibility threshold for a further 12 months to 30 June 2018 at the higher $10 million annual turnover threshold, following the passage of legislation to lower small business taxes; and

• Encouraging States and Territories to remove unnecessary barriers to competition and regulations that hold back small businesses through targeted payments under a National Partnership on Regulatory Reform

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National Infrastructure Plan — Building Australia

The Government is committing over $70 billion from 2013-14 to 2020-21 to transport infrastructure across Australia, using a combination of grant funding, loans and equity investments. The Government is establishing a 10-year allocation for funding road and rail investments, recognising that many transformational projects are planned and built over many years. This will deliver $75 billion in infrastructure funding and financing from 2017-18 to 2016-27.

Well-selected infrastructure investment improves long-run productivity, increasing and spreading Australia's economic growth and delivering higher incomes for Australians.

The Government is expanding the use of equity and debt financing where appropriate to augment our infrastructure spending. The Government is making an equity investment of up to $5.3 billion in WSA Co, a new Commonwealth-owned company, to fund the first stage of development of Western Sydney Airport. Works will commence by late 2018 and airport operations will begin by 2026. The terminal will have capacity for 10 million passengers each year — about the current size of Adelaide Airport. The Airport is expected to generate around 20,000 direct and indirect jobs in Western Sydney by the early 2030s.

The Government will deliver the Melbourne to Brisbane Inland Rail project by a combination of an additional $8.4 billion equity investment in the Australian Rail Track Corporation and a public private partnership for the most complex elements of the project. Work on this 1,700 km nation building rail investment will commence in 2017-18 and will support 16,000 direct and indirect full-time equivalent jobs at the peak of construction.

The Government is establishing a $10 billion National Rail Program to fund priority regional and urban rail investments, with funding to be provided over 10 years. The Government stands willing to deliver ready and proven rail projects across the nation that better connect our cities and grow the economy. The Budget will also contribute $20 million to the development of up to three business cases for infrastructure projects that will deliver faster rail connections between major cities and major regional centres.

The Government will provide $1 billion in additional infrastructure funding for Victoria, including $500 million to upgrade regional rail and $30 million to support planning for a rail link from the Melbourne

CBD to Tullamarine Airport. The funding to upgrade regional rail will include $100 million for the Geelong Rail Line and $100 million for the North East Rail Line. The Government will also provide a further $20.2 million for Murray Basin Rail. The infrastructure funding for Victoria includes funding it would have received had the Victorian Government reached an agreement with the Government under the Asset Recycling Initiative by the 30 June 2016 deadline.

In Queensland, the Government is providing $844 million from 2017-18 for new Bruce Highway priority projects, including for the Pine River to Caloundra upgrade and Deception Bay interchange upgrade.

In Western Australia, the Government is providing $1.6 billion for new projects, including for better road access to the Fiona Stanley Hospital precinct and $700 million towards the METRONET rail project.

Since last year's Budget, the Government has increased the number of major projects under construction and in the pre-construction stage. There are currently around 120 major projects under construction and approximately another 160 in the pre-construction stage involving detailed design and planning works, procurement, geotechnical assessments, environmental assessments and land clearing. Under this Government, around 180 major projects have been completed.

The Government's major projects include $2.9 billion for the Western Sydney Infrastructure Plan; $1.5 billion of funding and a $2.0 billion concessional loan for the WestConnex project in Sydney; $500 million for Stage 2 of the Monash Freeway upgrade and $500 million for the M80 Ring Road in Melbourne; $1.14 billion for the Toowoomba Second Range Crossing and $914 million for the Gateway Upgrade North in Queensland; $833 million for NorthLink in Western Australia; $1.6 billion for three projects to upgrade the North-South Corridor in Adelaide; $400 million for the Midland Highway in Tasmania; and in the Northern Territory $90 million for the Regional Roads Productivity Package and $77 million for the Northern Territory Roads Package. The Government is also providing funding of $600 million for the Northern Australia Roads Programme and $100 million for the Northern Australia Beef Roads Programme.

The Government is also providing $2.3 billion to New South Wales, the Northern Territory and the Australian Capital Territory under Asset Recycling Initiative agreements. The Government is also offering a bilateral Asset Recycling agreement to South Australia. The Asset Recycling Initiative is expected to facilitate over $15 billion in State and Territory asset sales and unlock over $17 billion in State and Territory infrastructure spending, including for the Sydney Metro and Canberra's

Capital Metro projects.

The Government is establishing the Infrastructure and Project Financing Agency on 1 July 2017 to assist in the identification, development and assessment of equity an debt financing options for investment in major infrastructure projects.

Extending the immediate tax deductibility threshold for small businesses

Australian small businesses are the engine room of our economy, making up 99 per cent of all businesses. Around 3.2 million small businesses employ 5.6 million Australians and contribute $380 billion to the economy. It is important to support this vibrant part of our economy so small businesses can continue to grow, invest and flourish.

The $20,000 immediate deductibility threshold has been well received by small business and claims of depreciation deductions have increased. Small businesses across Australia are investing in assets that will help them grow and prosper.

The Government is continuing to support small businesses by extending the $20,000 immediate deductibility threshold for a further 12 months to 30 June 2018, improving their cash flow and encouraging them to invest in the assets they need to grow. The concession is available to all small businesses with aggregate annual turnover less than $10 million (five times higher than the previous turnover threshold).

Ten Year Enterprise Tax Plan

The Government is supporting economic growth by cutting the company tax rate for all companies to 25 per cent by 2026-27. A lower corporate tax rate promotes business investment by raising the return from investing in Australia. Increased business capital is expected to raise productivity and real wages and permanently expand the economy by just over one per cent in the long term.

While the Government has successfully delivered lower tax rates for small and medium businesses, legislating the tax cut for companies with an annual turnover above $50 million will allow the economic benefits to be realised in full and let firms take account of the lower tax rate in planning new investment.

An internationally competitive company tax rate is essential to attract more investment. The consequences of not reducing the company tax rate are becoming more severe as other countries announce plans to lower their own corporate tax rates.

When Australia previously cut the company tax rate in 2001 there were 19 countries in the Organisation for Economic Cooperation and Development (OECD) with a higher tax rate. In 2017 only four OECD countries have a corporate tax rate higher than 30 per cent, and two of these, France and the USA, have implemented or announced lower tax rates in the future.

Investing in regional growth

Supporting regional growth is critical to the Australian economy with one third of our population living in regional communities.

The Government is committed to ensuring our regions grow and prosper with economic growth occurring broadly across the country. Building resilient and adaptive regions that are economically diverse, supported by modern infrastructure and services and populated by people with a range of skills, is critical to this goal.

Investment in infrastructure is key to unlocking the potential of our regions. This Budget commits more than $8.9 billion in new funding and financing to infrastructure and community projects to improve the resilience, connectedness and adaptability of our regions.

In one of the largest regional investments ever seen in regional Australia, work will commence on the Melbourne-to-Brisbane Inland Rail in 2017-18. The Government will provide an additional $8.4 billion equity investment in the Australian Rail Track Corporation to deliver it. Inland Rail will provide improved access to markets and greater export opportunities for manufactured products, agricultural commodities and mineral resources. During construction and operation Inland Rail will provide significant employment in regional Australia.

The Government will provide $28.5 million to establish the Regional Investment Corporation (RIC) to streamline the delivery of $4 billion in concessional loans, including the $2 billion National Water Infrastructure Loan Facility and the $2 billion Farm Business Concessional Loan Scheme. These loans will help secure growth, investment and resilience in rural and regional communities.

The Regional Growth Fund (RGF) will invest $472 million in regional infrastructure projects that back-in our regions' plans to adapt and harness the opportunities of globalisation and technological change. The RGF will ensure that all levels of government collaborate to create jobs and ensure communities have a say in how their regions are shaped.

The RGF will include $272 million to provide grants of $10 million or more for major transformational projects which support long-term economic growth and create jobs in regions, including those undergoing structural adjustment.

In addition, $200 million will be provided to the Building Better Regions Fund (BBRF) to support the construction of community infrastructure and build the capacity of regional areas. This investment increases the Government's commitment to BBRF to $498 million.

The Stronger Communities Program will invest a further $28 million in small capital projects to deliver social benefits to local communities across Australia. This will make funding more accessible to small organisations with limited capacity to implement necessary upgrades to local infrastructure and facilities or purchase much needed equipment to support community activities.

The economic impacts of structural change can be concentrated for some regional communities. The Government has tasked the Productivity Commission to investigate the factors that drive a region's ability to adapt to structural change. The Transitioning Regional Economies report will help the Government understand factors that help those affected transition as smoothly as possible.

The Government can play a role in bringing diverse skills and job opportunities to those regional economies and is exploring the potential decentralisation of some Commonwealth agencies to regional centres. Through this Budget, the Government will invest in a range of measures to help develop resilient and skilled regional workers.

A skilled workforce

The Government will abolish the Temporary Work (Skilled) (subclass 457) visa for foreign workers and create a new temporary visa restricted to critical skills shortages.

This will ensure Australian workers are given first priority for jobs, while still enabling businesses to temporarily meet critical skills needs where Australian workers are not available.

Employers who nominate workers for the new Temporary Skill Shortage visa, and certain permanent skilled visas, will pay a levy that will go into a new Skilling Australians Fund. This Fund will ensure an ongoing source of revenue to support Australian skills development and the take-up of apprenticeships and traineeships. The new Fund will replace the existing training benchmarks, which have not been successful in generating training opportunities to allow Australians to fill skill gaps.

Employment

The Government will deliver a suite of reforms to ensure that the most disadvantaged Australians receive the support they require to prepare for work and contribute to our economy. Indigenous and vulnerable new parents will receive tailored support services through ParentsNext to support them on the path to successful employment.

This includes working with parents to help them develop pathways to their employment and educational goals, and linking them with services available in their communities to help them reach these goals. These services could include childcare, pre-employment training, financial management and literacy and numeracy classes.

These reforms build on the Government's support for young Australians under the Youth Jobs PaTH program, which will help equip up to 120,000 young Australians with the skills and experience they need to get a job.

The Government is also strengthening participation requirements for welfare recipients to better drive participation outcomes. These will be coupled with a new targeted Job Seeker Compliance Framework that will apply stronger financial penalties to persistently non-compliant job seekers, whilst ensuring genuinely disadvantaged and vulnerable job seekers are supported. This includes refocusing Work for the Dole activities towards disadvantaged job seekers, and ensuring job-ready job seekers engage in more cost effective Work for the Dole activities. The changes will encourage and support those who have the capacity to work to do so, while ensuring disadvantaged job seekers have the opportunity to develop the characteristics employers look for, such as strong communication skills, the ability to work effectively with others, and reliability.

Cutting small business red tape

The Government's National Partnership on Regulatory Reform will reward States and Territories (States) that reduce regulatory restrictions on competition, particularly those on small businesses. This will help small businesses to grow and create jobs.

Small businesses are disproportionately affected by red tape and regulations and so disproportionately benefit from the removal of unnecessary restrictions. Reducing red tape and regulations help small businesses by levelling the playing field in the market, decreasing business costs and giving businesses more time to run and grow their business. In 2013, the Government committed to cutting red tape costs by $1 billion every year. Since then, the Government has reduced the annual regulatory burden on businesses and the community by more than $5.8 billion, exceeding its target every year.

However, feedback from small businesses is that States continue to impose a wide range of regulations that unnecessarily prevent them from growing and creating jobs.

These regulations impede innovation and entrepreneurship. They can also restrict small businesses' ability to take on foreign competitors, reducing the products and services they can provide or limiting where and when their businesses can operate.

The Government will provide $300 million over two years under the new National Partnership on Regulatory Reform to incentivise the States and local governments to lessen the regulatory burden on small businesses and remove other restrictions that hinder economic growth and competition.

Effective competition encourages businesses to pursue efficiencies and take advantage of new opportunities, leading to faster innovation and deployment of new technology.

It rewards the most dynamic and innovative businesses that provide the best services at the lowest cost. It raises productivity and grows our economy, resulting in more and better jobs and higher living standards.

1-19 to 1-21

Cost of living

Affordable Housing for Australians

The Government is committed to reducing pressure on housing affordability across the housing spectrum.

The Government will support Australian households by:

• assisting first home buyers to build a deposit inside superannuation. Voluntary contributions of up to $15,000 per year and $30,000 in total will attract concessional tax treatment under the scheme. The scheme commences on 1 July 2017, and contributions and deemed earnings, net of tax, can be withdrawn from 1 July 2018;

• allowing older Australians to contribute downsizing proceeds into superannuation.

From 1 July 2018, individuals aged 65 and older will be able to make a non-concessional contribution of up to $300,000 using proceeds from the sale of a principal residence held for at least 10 years into their superannuation. These downsizing contributions will not be subject to the existing contribution caps;

• working with State and Territory governments to reform Commonwealth funding arrangements under a new National Housing and Homelessness Agreement, retaining current funding and indexation arrangements but requiring concrete outcomes;

• providing additional funding of $375 million over three years from 2018-19 as part of the new National Housing and Homelessness Agreement to fund front line services to address homelessness;

• incentivising increased private investment in affordable housing through tax incentives and by establishing the National Housing Finance and Investment Corporation to operate an affordable housing bond aggregator to provide cheaper and longer-term finance for the community housing sector; and

• providing more security for renters by working with State and Territory governments to standardise use of long-term leases.

Recognising that the key to easing housing affordability now and into the future is building more homes, the Government will boost the supply of housing by:

• working with State and Territory governments to set housing supply targets and facilitate planning and zoning reform under the new National Housing and Homelessness Agreement;

• establishing a $1 billion National Housing Infrastructure Facility to address infrastructure chokepoints that are impeding housing development in critical areas of undersupply;

• establishing an open data Commonwealth land registry that will provide more detailed information about Commonwealth land to external parties, allowing and encouraging proposals for higher-value land use, including housing development proposals;

• releasing suitable surplus Commonwealth land including 127 hectares of Defence land in Maribyrnong, which is less than 10 kilometres from the Melbourne CBD and could support up to 6,000 new residential dwellings; and

• kick-starting planning and zoning reform across eight local government areas facing above-average population growth and affordability pressures in Western Sydney.

Australia's foreign investment policy allows investment in residential real estate in order to increase the total housing stock. This creates more homes for Australians to live in, generates additional jobs in the construction industry and supports economic growth. To build on this policy and ensure that new housing supply is available for the use of Australians, the Government will:

• safeguard the opportunity for Australian buyers to purchase in new developments by introducing a 50 per cent cap on foreign investment approvals for new developments; and

• encourage foreign owners of residential real estate to rent their properties by applying an annual charge to foreign owners who leave their properties unoccupied or not available for rent for six months or more each year.

The Government will make further tax changes to ensure residential property deductions are better targeted by:

• disallowing travel deductions for residential investment property. This will address concerns that some taxpayers have been claiming travel deductions without correctly apportioning costs, or have claimed travel costs that were for private purposes; and

• implementing an integrity measure that will limit deductions for plant and equipment forming part of residential property investments to expenses investors have directly incurred themselves. All plant and equipment forming part of residential investment properties prior to 9 May 2017 (including contracts already entered into at Budget night) will continue to be deductible until either the property is sold or the item reaches the end of its effective life.

2-18 to 2-21 Commentary on the forecast for housing construction

Support from housing construction is moderating

Dwelling investment has grown strongly over the past three years, providing support for the economic transition while starting to address an undersupply of housing stock in some areas. It grew by 10.6 per cent in 2015-16 — the fastest growth observed since the early 2000s — with strong activity in medium-to-high density dwelling construction. Dwelling investment is expected to continue to support growth in the near term, with a strong pipeline of residential construction work yet to be done

(Box 3).

Building approvals have softened since around mid-2016, with a moderation in detached house approvals and significant falls observed in approvals for medium-to-high density dwellings (Box 3). As a result, the level of dwelling investment is expected to grow by only 1½ per cent in 2017-18 and to fall by 4 per cent in 2018-19 once the current elevated pipeline of building work comes to completion.

3-12

Box 4: Reducing pressure on housing affordability

Housing affordability and security improves the stability of families and communities and promotes better health, education and workforce participation outcomes for Australians of all ages.

The Government's comprehensive housing plan will reduce pressure on housing affordability across the housing spectrum by:

• supporting first home buyers to save a deposit and through incentives to encourage more efficient use of Australia's housing stock;

• improving the supply of social and affordable housing, by requiring better outcomes for Commonwealth funding to State and Territory governments; encouraging increased private investment through the establishment of a bond aggregator in the National Housing Finance and Investment Corporation; and through new tax incentives for private investors in affordable housing;

• providing ongoing funding to address homelessness as part of the new National

Housing and Homelessness Agreement with State and Territory governments ensuring a greater focus on concrete outcomes from payments to the States;

• working with State, Territory and local governments to improve security of tenure for renters; and

• building more homes through greater financial support for infrastructure that will speed up supply and making surplus Commonwealth land available for housing development.

3-13

Box 5: Infrastructure investment

The Government's investment in infrastructure includes funding as well as equity and debt financing for transport, communications and water infrastructure.

The Government is establishing a 10-year allocation for funding road and rail investments, recognising that many transformational projects are planned and built over many years. This will deliver $75 billion in transport infrastructure funding and financing from 2017-18 to 2026-27. There are currently more than 1,000 projects underway across Australia including roads, airports and rail. These projects will reduce congestion, improve the liveability of our cities, connect regional communities and create new jobs and opportunities.

The Government's historical approach to delivering infrastructure has been to simply provide grants to State and Territory governments, mostly for road and rail projects. However, the exclusive use of grants by the Government can reduce the incentives for State and Territory governments to innovate with infrastructure delivery, such as through the use of financing solutions and developing partnerships with the private sector. While grants will continue to be part of our approach, the Government is looking at more innovative ways to deliver infrastructure and, in particular, the use of equity and debt financing. This approach will deliver more impact from infrastructure spending, allowing more projects to get built.

The Government is currently using equity and debt financing for a number of major infrastructure projects. These include $370 million in equity funding (plus land) towards the Moorebank intermodal freight precinct in NSW, a $2 billion concessional loan for Stage 2 of the WestConnex project in Sydney and establishing the $5 billion Northern Australia Infrastructure Facility.

3-14

In this Budget, the Government is actively working to expand the use of financing to support broader infrastructure priorities. We have committed to fully finance the Melbourne to Brisbane Inland Rail project by a combination of an additional $8.4 billion equity investment in the Australian Rail Track Corporation and a public private partnership for the most complex elements of the project.

The Government has also committed to establish a new Commonwealth-owned company, WSA Co, to deliver Western Sydney Airport. The Government is making an equity investment of up to $5.3 billion in WSA Co.

The Government is delivering fast and affordable broadband by providing $29.5 billion in equity and a loan on commercial terms of up to $19.5 billion to NBN Co Limited. The network is on target for completion by 2020 and it will reach over 12 million homes and businesses when it is complete.

To develop and advise on financing solutions to deliver key government projects the Government is establishing the Infrastructure and Project Financing Agency on 1 July 2017. The Agency will work with the private sector to identify, develop and assess innovative financing options for investment in major infrastructure projects prior to Government consideration.

Infrastructure investment is a large part of the Government's broader capital investment program of around $49 billion in 2017-18. This broader program includes direct investment in physical assets and investments in financial assets (such as loans and equity injections). It also includes the Government's grants to the States and Territories for their own capital investment. Statement 4: Recurrent and Capital Budget provides further details on the Government's broader capital investment program and how it is financed.

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Industry, Innovation and Science Portfolio

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Infrastructure and Regional Development Portfolio

Australian Institute of Architects

A+ on affordability, but density, design and energy efficiency focus needed

The Australian Institute of Architects wholeheartedly welcomes the Commonwealth Government's housing affordability package released in tonight's Federal Budget.

National President Ken Maher said the Treasurer had been bold in his approach to tackling what is becoming an increasingly serious issue for Australians, but lamented the missed opportunity for the Government to notch up some straightforward wins in areas of density, design and energy efficiency.

'We commend the Turnbull Government on the comprehensive package to tackle the worsening challenge of housing affordability in Australia. 'Critically, the measures announced by the Government tonight reach right across the housing spectrum.

'This budget looks at ways to improve the housing situation of everyone from our homeless and those needing crisis accommodation, right through to public and social housing, first home buyers, affordable rental accommodation and removing the disincentive for pensioners to downsize.

'Right around Australia, Australian Institute of Architect members are at the leading edge of designing inspirational housing solutions – from housing the homeless in Sydney, to creating strong new public housing communities in Hobart.

'The new Commonwealth land release scheme, together with the $1 billion National Housing Infrastructure Facility will create important opportunities to further boost supply.

'The measures to promote further private sector investment in affordable housing are particularly welcome, as is the Government's substantial transport infrastructure investment of more than $70 billion to 2022-21, including support for fast rail. Regrettably, however, the Government has not taken this package to the next logical step which is to better manage the quality of the new supply they want to bring online.

'With tens of thousands of new homes needing to be built every year to keep up with demand, it is vital that we ensure those new residences are energy efficient, that due consideration is given to promoting quality, standardised design principles to address issues of accessibility and to facilitate ageing in place.

'In our cities and suburbs, continuing to expand ever outwards is not a sustainable option. In renewing their commitment to work with the States and Territories to address issues around planning, zoning and regulations, there must be a collective focus on density.

'Infill has a vital role to play in the future of our cities. Ensuring this density is done well, integrated with well-designed transport including due consideration of amenity and well-designed public spaces, is the key to achieving successful and enduring city deals.

'Every state and territory in Australia with the exception of Tasmania has now appointed a Government Architect. With the huge infrastructure and city shaping investments the Turnbull Government has announced tonight, it is imperative that they too look to appoint an Australian Government Architect,' Maher said.

http://wp.architecture.com.au/news-media/a-on-affordability-but-density-design-and-energy-efficiency-focus-needed/

Housing Industry Association

Budget is a Step to Housing Affordability

The focus on housing in tonight's Budget is an important step in addressing the complex housing affordability challenge that Australia faces according to Housing Industry Association.

Graham Wolfe, HIA Deputy Managing Director said "the Budget's housing focus will send important signals to state and local governments and the community that the Government is serious about meeting the challenge of delivering more affordable housing

"There are no simple solutions but providing well targeted assistance to help first home buyers save for their first home and to providers of community housing through the 'National Housing Finance and Investment Corporation' will make a difference.

"Although not an affordability measure, the incentives for 'downsizers' will also help stimulate the supply of new housing more appropriate to the needs of our seniors.

"Much of the work to improve housing affordability rests with state and local governments and the Budget has made significant commitments to encourage action. The National Housing Infrastructure Facility has $1 billion behind it which is more than just window dressing.

"Linking the National Housing and Homelessness Agreement's $1.8 billion to the states and local governments delivering improved housing supply and better planning systems is a significant and welcome reform.

"The 'city deals' expansion into smaller scale projects is also a welcome development: the big ticket projects are important but much can be achieved by removing obstacles to more efficient delivery of homes.

"However HIA is concerned about the negative impacts on residential building from the Budget's measures on foreign investment.

"Plans to tax vacant homes, limit the share of foreign investment in new projects and increase foreign investor duties all send exactly the wrong signal to potential investors in Australia. Barriers to investment are not productive for the building industry or the economy more broadly; investment needs to be encouraged.

"HIA would urge the Government to build on the Budget's initial steps towards more affordable housing by making this a standing item on the COAG agenda.

"In the meantime HIA will continue to urge the Government to undertake a thorough national inquiry into housing affordability and establish a mechanism for the regular monitoring of the crucial supply of land for the residential building industry", Mr Wolfe concluded.

https://hia.com.au/~/media/HIA%20Website/Files/Media%20Centre/Media%20Releases/2017/national/Budget%20is%20a%20Step%20to%20Housing%20Affordability.ashx

Master Builders Australia

“The Budget will be a boost for more 340,000 builders and tradies in every city, town and region,” Denita Wawn, CEO of Master Builders Australia said.

“There are more building and construction businesses than any other type in the economy and this Budget will boost their business success,” she said.

“The Budget measures focus on the right parts of the economy at the right time, particularly areas of strength such as the building and construction sector, the nation’s second largest industry,” Denita Wawn said.

“The Government’s commitment in the Budget to building more new homes and working with state and territory governments to removing barriers to increasing the housing supply will be positive in tackling the housing affordability challenge,” she said.

The Government’s housing affordability package, including financial incentives to state and territory governments to meet housing supply targets and the $1billion to fund urban infrastructure to unlock more ‘shovel ready’ land for housing development will help cut the hidden taxes, red tape and regulatory creep that drive up house prices and help to provide an adequate supply of social housing,” Denita Wawn said.

“The investment in infrastructure, including urban, transport and defence will reap immediate as well as medium and long term benefits. But government procurement and tendering processes must be fair and transparent if communities around Australia are to fully benefit from strengthened economies and more jobs,” Denita Wawn said.

“Master Builders welcomes the announcement of the $1.5 billion Skilling Australians Fund and the additional training of 300,000 apprentices in partnership with state and territory governments,” she said.

“The funding should enable the training that leads to strong employment outcomes for young Australians in industries where there is jobs growth, such as the building and construction industry,” she said.

“Finally, as a capital intensive industry 98% made up of small businesses, the building industry is a big winner from the extension of the accelerated depreciation measures by one year and to businesses turning over up to $10 million,” Denita Wawn said.

https://www.masterbuilders.com.au/Newsroom/Budget-Boosts-Builders-And-Tradies

Property Council of Australia

The response of the Property Council of Australia to individual Budget initiatives is as follows. All responses are attributable to Ken Morrison, Chief Executive of the Property Council of Australia.

HOUSING SUPPLY MEASURES

New National Housing and Homelessness Agreement

We support the decision of the government to develop a new National Housing and Homelessness Agreement which requires states and territories to deliver concrete outcomes. By linking the agreement to housing supply targets, the reform of planning systems and innovative use of their own land banks, the new agreement can be a driver of new housing supply.

Incentives for housing supply

The Property Council has championed the use of national competition style housing incentives to encourage state government to unblock housing supply. Research by Deloitte Access Economics estimates that this could also boost the economy by $3 billion per annum.

We welcome the fact that the Government has adopted this concept for the Western Sydney City Deal, which is expected to be a pilot approach for subsequent deals.

We continue to urge the government to go faster and harder to ensure that we can make significant progress in Western Sydney and elsewhere.

National Housing Infrastructure Facility

This is a welcome measure although not much detail is provided in the Budget papers.

Often very large developments can be held up because of relatively modest infrastructure gaps. If this fund can address these, it will be a very welcome measure.

We look forward to working with the Government on the details of the new National Housing Infrastructure Facility to ensure it is effective and the $1 billion is well spent.

Support for downsizing

There are few incentives for older Australians to downsize. All too often, we see older people living in four and five bedroom houses that no longer suit their lifestyle because there are financial disincentives to downsize.

The fear of losing age pension entitlements and transaction costs are two of the biggest barriers to downsizing, contributing to tens of thousands of near empty family homes in suburbs across Australia.

We welcome the superannuation-linked budget incentive, but this needs to be extended to deal with the barrier of the pension assets test to deliver maximum impact.

Online registry of government land holdings

The online registry of government land holdings is a good idea. If this is backed by a concerted effort to recycle redundant government land, then this would be very welcome.

Our hope is that state, territory and local governments populate this register so that we can have meaningful conversations about government lands.

AFFORDABLE HOUSING

MIT affordable housing changes

We applaud the Government's intent to remove blockages to encourage long term investment into affordable housing.

We have seen the UK Government foster the establishment of a new Build to Rent asset class, including affordable rental supply.

The changes to MIT arrangements on their own won't deliver this outcome.

We look forward to working with the Government and non-government groups to evolve this framework to deliver new rental supply at market and below-market levels.

National Housing Finance and Investment Corporation (NHFIC)

The NHFIC reflects one of the ten housing solutions we proposed in our Fixing Housing Affordability plan. The bond aggregator model is a sensible way for government to act as an intermediary and to encourage the supply of additional affordable rental accommodation.

CGT discount and affordable housing

Full marks to the government for creating an incentive for affordable rental housing rather than a disincentive. For too long, state and local governments have made 'affordable housing' a cost for new housing supply.

This change could represent a change of thinking in government and we hope it works.

BRIDGING THE DEPOSIT GAP

First Home Saver Super Scheme

We are supportive of non-inflationary measures to help people bridge the deposit gap. This scheme appears to do it.

Importantly, it rejects the idea of allowing savers to access their baseline superannuation.

This capped scheme allows savers to park salary sacrifice payments (above the 9.5 per cent superannuation guarantee levy) of up to $30,000 for single people and $60,000 for couples and to park that saving in their superannuation accounts.

CITIES AND INFRASTRUCTURE

City Deals

We are pleased to see the government flag that South East Queensland will potentially be next cab off the rank under the roll out of City Deals to rev up reform and the right choices around infrastructure to deliver growth.

It's also a plus to see planning and housing supply improvements being hard-wired into the Western Sydney City Deal.

Infrastructure

Getting our cities working better is also fundamental to the productivity of our cities. That is why the decision of the Commonwealth to back-in metro rail lines in our cities is the right one, but we note that most of the promised $10 billion funding falls outside of the forward estimates.

TAXATION MEASURES

Negative gearing – integrity measures

The Government has made the right decision to resist calls for wholesale changes to negative gearing. Negative gearing has been in place for over 100 years and is not responsible for our affordability challenges.

The changes to negative gearing appear to be legitimate integrity measures.

It appears the cost of 'travel' to inspect investment properties is in excess of $160 million a year and we are supportive of the tightening.

Additional charges and restrictions for foreign owners

The government is proposing additional FIRB, CGT and land charges for vacant property owned by foreigners.

The purpose of these charges is to perpetuate the myth that foreigners are driving up the price of housing. We do not accept that argument.

Similarly, the decision to impose a 50 per cent cap on foreign ownership in new developments will achieve little. It is rare to go above the cap – but where it does it brings new stock online that cycles back through the market for everyone to access.

These measures are tax changes in pursuit of a good headline – they will raise little and have no impact on house prices.

GST – integrity measures

We support a GST system where all people pay the tax they are legally required to pay – and support all legitimate integrity measures.

According to the Budget papers, the additional revenue gained from paying GST on property direct to the ATO and not builders is $650 million over the forward estimates.

This seems an extraordinary figure and we will be seeking additional information from the ATO about how these changes will work.

This will impact the cash flow of thousands of builders and we want to see more details from the ATO.

https://www.propertycouncil.com.au/Web/Content/Media_Release/National/2017/Budget_-_Chief_Executive_s_response_to_individual_initiatives.aspx

Infrastructure Partnerships Australia

FEDERAL BUDGET CUTS REAL INFRASTRUCTURE FUNDING BY $7.4 BILLION

The Federal budget cuts real infrastructure by $7.4 billion compared to the 10 year average – and sees Commonwealth funding at its lowest level since the early 2000s – shown in the attached graph – said Infrastructure Partnerships Australia.

“This budget cuts Federal infrastructure funding by $7.4 billion over the forward estimates and sees infrastructure funding at its lowest level in more than 10 years,” said Chief Executive Brendan Lyon.

“Real funding matters because state governments and companies cannot build projects or employ a workforce for projects beyond the budget’s forward estimates, which are several Federal elections in the future.

“The Commonwealth must commit to a long-term and predictable budget funding stream at the decade average of circa $6 billion per year and use that money to fund the more-than 100 national priority projects sitting idle on Infrastructure Australia’s list.

“States need to provide Infrastructure Australia with better levels of detail about their projects, but it would be a much stronger incentive if they could see a long-term, stable and real funding stream.

“Beyond Western Sydney Airport and Inland Rail, Federal government ‘equity’ and Federal Government project ‘loans’ can’t help, because they can never be repaid.

“Everyone from the Productivity Commission to Infrastructure Australia have found that public infrastructure like passenger railways, highways and most motorways need government budget grants or subsidies, because they cost more than they can earn.

“If infrastructure projects were commercially feasible without government funding, they would already have been done by increasingly desperate state governments.

“The Federal Government has a hard job to balance its books and fix flagging productivity, but we need to be transparent about the problems and the solutions because Australia is fresh out of easy answers.”

http://infrastructure.org.au/wp-content/uploads/2017/05/170509-Federal-Budget-FINAL.pdf