

STATEMENT 1: BUDGET OVERVIEW

The 2018–19 Budget brings a further improvement to Australia’s fiscal position, reflecting the Government’s focus on fiscal discipline to achieve budget surpluses and improved receipts from stronger economic growth.

This outcome recognises the benefits of the Government sticking with its plan to build a stronger economy. To ensure sustainable budget outcomes continue, the Government will continue to strengthen the economy by:

- providing tax relief to encourage and reward working Australians;
- continuing to back business to invest and create more jobs;
- guaranteeing the essential services on which Australians rely;
- keeping Australians safe; and
- ensuring that the Government lives within its means.

The Australian economy has entered its 27th consecutive year of growth and has performed remarkably in adjusting from the investment phase of the mining boom towards broader-based growth.

Real GDP is forecast to grow by 2¾ per cent in 2017–18 and is forecast to accelerate further to 3 per cent growth in 2018–19 and 2019–20 – a pace sufficient to continue to lower the unemployment rate over the next few years.

The 2018–19 Budget delivers further improvements to the fiscal position across the forward estimates and the medium term.

The underlying cash balance is forecast to be a deficit of \$14.5 billion in 2018–19. The forecast underlying cash balances for 2017–18 and 2018–19 are the strongest since the onset of the Global Financial Crisis (GFC).

The underlying cash balance is expected to return to a budget balance in 2019–20. An underlying cash surplus is projected in 2020–21, growing to more than 1 per cent of GDP in the medium term. These projections are consistent with the Government’s fiscal strategy which requires that tax receipts do not exceed 23.9 per cent of GDP throughout the medium term.

The 2018–19 Budget represents the sixth successive economic and fiscal update where the underlying cash balance is projected to reach a surplus in 2020–21 and be sustained over the following decade.

Through responsible budget management, the Government is no longer borrowing to meet recurrent spending – the first time since the GFC. As a result of the improved budget position in 2017–18, net debt as a share of GDP is expected to peak in 2017–18, one year earlier than expected in the 2017–18 Mid-Year Economic and Fiscal Outlook.

The Government is providing tax relief to encourage and reward working Australians through a seven-year plan to make personal income tax in Australia lower, simpler and fairer. The plan involves:

- immediate relief for low and middle-income earners;
- helping to protect Australians' earnings from bracket creep; and
- ensuring more Australians pay less tax by making personal taxes simpler and flatter.

The Government is continuing to back businesses to invest and create jobs by:

- lowering taxes for small and medium-sized businesses as part of the Enterprise Tax Plan and seeking full implementation of the tax plan to ensure Australian businesses remain internationally competitive;
- extending the \$20,000 instant asset write-off for businesses with a turnover of up to \$10 million to apply in 2018–19;
- investing \$75 billion in transport infrastructure over the coming decade;
- supporting a stronger and smarter economy through an additional investment of \$2.4 billion in technology and science over 12 years;
- establishing the \$1.3 billion National Health and Medical Industry Growth Plan; and
- promoting Australia's international competitiveness and supporting agricultural and defence industry exports.

The Government is continuing to guarantee the essential services on which Australians rely by:

- helping people to plan for the opportunities a longer life brings through its More Choices for a Longer Life Package;
- continuing to guarantee funding for the Medicare Benefits Schedule and the Pharmaceutical Benefits Scheme;
- fully funding a new hospital agreement with record funding for State and Territory governments;
- ensuring the National Disability Insurance Scheme is fully funded;
- endorsing the recommendations of the *Review to Achieve Educational Excellence in Australian Schools* led by David Gonski AC; and
- pursuing the National Energy Guarantee to provide investment certainty, cut electricity bills and ensure there is enough power to keep the lights on.

The Government is keeping Australians safe by:

- strengthening our aviation, air cargo and international mail security by enhancing security arrangements at airports, and upgrading technologies and infrastructure;
- managing biosecurity risks to protect our environment, exports and agricultural and tourism sectors;
- investing in the Australian Federal Police and the national security agencies;
- maintaining Operation Sovereign Borders to ensure the integrity of our borders and combat the continuing threat from people smugglers; and
- securing justice for the victims of Malaysian Airlines Flight MH17.

The Government is living within its means through careful management of expenditure and action to ensure the integrity of the tax system, including by:

- bringing the budget back into balance and reducing net debt;
- no longer borrowing for recurrent expenditure;
- limiting average annual real growth in payments to 1.6 per cent over the forward estimates;
- keeping taxes as a share of GDP below 23.9 per cent;
- combating the harm the black economy is doing to honest individuals and businesses by implementing a number of recommendations of the Black Economy Taskforce Final Report;
- ensuring multinationals pay their fair share of tax and levelling the playing field for Australian businesses;
- ensuring the Australian Taxation Office has all the tools it requires to enforce the rules; and
- better targeting the Research and Development Tax Incentive.

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STATEMENT 1: BUDGET OVERVIEW

INTRODUCTION

The 2018–19 Budget brings further improvement in the fiscal position, reflecting the Government’s focus on fiscal discipline to achieve budget surpluses and improved receipts from stronger economic growth. The Government is continuing to implement its plan to build a stronger economy by providing tax relief to encourage and reward working Australians, backing businesses to invest and create more jobs, guaranteeing the essential services on which Australians rely, keeping Australians safe and ensuring that the Government lives within its means.

The Australian economy has entered its 27th consecutive year of growth and has performed remarkably well in adjusting from the investment phase of the mining boom towards broader-based growth. As this transition works through, growth is forecast to pick up over the next few years.

The pick-up in growth is expected to support a further lowering in the unemployment rate over the forecast horizon. Almost one million jobs have been added to the economy since September 2013. Employment growth has been strong and a lift in the participation rate is consistent with increased confidence about employment prospects.

The global economy also strengthened in 2017. Global growth has risen to its fastest pace in six years, with broad-based strength across both advanced and emerging economies, which is forecast to continue in 2018. The global cycle is better synchronised than it has been for some time.

Both the 2017–18 and 2018–19 forecast underlying cash balances are the strongest since the GFC. Payments are expected to decline as a proportion of GDP in each year of the forward estimates from 25.4 per cent of GDP in 2018–19 to 24.7 per cent of GDP in 2021–22. The Budget has benefited from the strengthening of the Australian economy.

The 2018–19 Budget forecasts an underlying cash deficit of \$14.5 billion in 2018–19, equal to 0.8 per cent of GDP. The Budget is then forecast to return to balance in 2019–20, before increasing to a surplus in 2020–21 of \$11 billion or 0.5 per cent of GDP. In 2021–22, the underlying cash surplus is projected to be \$16.6 billion. The average pace of fiscal consolidation amounts to 0.4 per cent of GDP over the forward estimates.

A net operating deficit of \$2.4 billion or 0.1 per cent of GDP is forecast in 2018–19. The net operating balance is forecast to improve to a surplus of \$8.6 billion or 0.4 per cent of GDP in 2019–20 and is projected to be \$27.4 billion or 1.3 per cent of GDP in the final year of the forward estimates.

Table 1: Budget aggregates

	Actual		Estimates		Projections		Total(a)
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	
Underlying cash balance (\$b)(b)	-33.2	-18.2	-14.5	2.2	11.0	16.6	15.3
Per cent of GDP	-1.9	-1.0	-0.8	0.1	0.5	0.8	
Net operating balance (\$b)	-32.1	-12.6	-2.4	8.6	19.6	27.4	53.2
Per cent of GDP	-1.8	-0.7	-0.1	0.4	0.9	1.3	

(a) Total is equal to the sum of amounts from 2018–19 to 2021–22.

(b) Excludes expected net Future Fund earnings before 2020–21.

Payments as a proportion of GDP are expected to fall to 24.7 per cent over the forward estimates, lower than at the 2017–18 Mid-Year Economic and Fiscal Outlook (MYEFO), and lower than the 30-year average of 24.8 per cent of GDP.

Receipts as a proportion of GDP are expected to increase over the forward estimates, with tax receipts not increasing above the Government’s cap of 23.9 per cent of GDP.

As a result of the improved budget position, net debt is expected to peak at 18.6 per cent of GDP in 2017–18. Net debt is then projected to fall in each year of the forward estimates and medium term, reaching 3.8 per cent of GDP by 2028–29. Refer to *Statement 7: Debt Statement, Assets and Liabilities* for further information.

ECONOMIC OUTLOOK

Momentum in the Australian economy strengthened in the second half of 2017. The transition from the investment phase of the mining boom towards broader-based growth is set to be completed by the end of the forecast period. Growth is forecast to pick up to a pace sufficient to lower the unemployment rate over the next few years.

The Australian economy is being supported by a positive global outlook. Global growth exceeded expectations in 2017, rising to its fastest pace in six years. There has been broad-based strength across both advanced and emerging economies, indicating that the global cycle is better synchronised than it has been for some time. This momentum is expected to carry into the near term before slowing in some regions as major advanced economies start to push up against capacity constraints.

Domestically, conditions remain favourable with consumer and business surveys at above-average levels. Solid contributions from consumption and non-mining business investment should underpin a pick-up in growth, as the drag from the unwinding of the mining investment boom recedes. Mining exports are also forecast to grow solidly. Real GDP is forecast to grow by a solid 2¾ per cent in 2017–18 and is forecast to accelerate further to 3 per cent growth in 2018–19 and 2019–20.

Whilst the unwinding of the mining investment boom in recent years has had a direct effect on growth, it has also resulted in negative spillovers in the broader economy. This effect is diminishing. Capital expenditure in the private sector is also benefiting from a strong pipeline of work in the public sector. A robust outlook for public final demand partly reflects the outlook for strong infrastructure investment by both the States and Territories and the Commonwealth, including significant investment in transport projects.

The labour market has strengthened significantly, with Australia experiencing the largest increase in employment in 2017 ever recorded by the Australian Bureau of Statistics over the course of a calendar year. Full-time jobs accounted for about three-quarters of this growth, with broad-based employment growth across a range of industries. Whilst wage growth remains subdued, it is expected to strengthen as growth in the economy strengthens to an above-potential pace and spare capacity in the labour market is absorbed.

Higher wages and inflation will contribute to a rise in the level of nominal GDP over coming years. Nominal GDP also continues to be influenced by the terms of trade, which are now estimated to be higher in the near term compared with the 2017-18 MYEFO, reflecting recent strength in commodity prices. The terms of trade are then forecast to fall broadly in line with the prudent judgment that prices of some key commodities will not be maintained at recently elevated levels.

As ever, there are a number of risks around the forecasts. Globally, these risks are broadly balanced in the short term, although they are tilted to the downside in the longer term. Key risks include a faster-than-expected tightening of monetary policy, geopolitical tensions and policy uncertainty in relation to trade protectionism. More broadly, a very sharp adjustment in financial markets, which might occur from a range of factors including elevated debt levels in a number of economies, would pose a risk to both global and domestic activity.

Domestically, there are key uncertainties around the strength of the pick-up in non-mining business investment and the degree of spare capacity in the labour market. There are also risks around future household consumption and saving behaviour. All that said, these risks are very hard to quantify and both the Australian and world economies have shown remarkable resilience in recent years.

Table 2: Major economic parameters^(a)

	Outcomes	Forecasts			Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Real GDP	2.1	2 3/4	3	3	3	3
Employment	1.9	2 3/4	1 1/2	1 1/2	1 1/4	1 1/4
Unemployment rate	5.6	5 1/2	5 1/4	5 1/4	5 1/4	5
Consumer price index	1.9	2	2 1/4	2 1/2	2 1/2	2 1/2
Wage price index	1.9	2 1/4	2 3/4	3 1/4	3 1/2	3 1/2
Nominal GDP	5.9	4 1/4	3 3/4	4 3/4	4 1/2	4 1/2

(a) Year average growth unless otherwise stated. From 2016–17 to 2019–20, employment and the wage price index are through-the-year growth to the June quarter. The unemployment rate is the rate for the June quarter. The consumer price index is through-the-year growth to the June quarter.

Source: ABS cat. no. 5206.0, 6202.0, 6345.0, 6401.0 and Treasury.

FISCAL STRATEGY AND OUTLOOK

The Government has delivered on and remains committed to its fiscal and budget repair strategies. The 2018–19 Budget maintains strong fiscal discipline, improves the integrity and sustainability of the tax system, strengthens the Government’s balance sheet and redirects government spending to quality investment to strengthen the economy.

Underlying cash balances have improved by \$20.2 billion over the forward estimates since the 2017–18 MYEFO.

An underlying cash deficit of \$14.5 billion is forecast in 2018–19, equal to 0.8 per cent of GDP. This and the 2017–18 forecast represent the smallest underlying cash deficits since the onset of the GFC.

The Budget is then forecast to return to balance in 2019–20, before increasing to a projected surplus in 2020–21, equal to \$11 billion or 0.5 per cent of GDP. Underlying cash surpluses are projected across the medium term.

The 2018–19 Budget represents the sixth successive economic and fiscal update where the underlying cash balance is projected to reach a surplus in 2020–21 and be sustained over the following decade.

The net operating balance is forecast to reach surplus in 2019–20, increasing to a projected 1.3 per cent of GDP in 2021–22.

The 2018–19 Budget forecasts the Government will not need to borrow to meet its recurrent spending from 2017–18, a year earlier than was forecast in the 2017-18 Budget.

By restraining expenditure, improving the integrity of the tax base and benefiting from a stronger Australian economy, the Government is maintaining the path to sustainable surplus whilst cutting the personal tax burden.

As a proportion of GDP, payments are forecast to equal 25.4 per cent in 2018–19, falling to a projected 24.7 per cent at the end of the forward estimates. Tax receipts as a share of GDP are expected to be 23.1 per cent in 2018–19 and reach levels just shy of the 23.9 per cent cap by 2021–22.

Over the medium term, tax receipts are expected to remain below the Government's tax cap of 23.9 per cent of GDP as a result of policy decisions to lower the tax burden on Australians, until 2026–27 after which the cap takes effect. Net debt is expected to peak at 18.6 per cent of GDP in 2017–18 and is projected to continue to decline to 3.8 per cent of GDP in the final year of the medium term.

Compared with the 2017–18 MYEFO, the 2018–19 Budget forecasts for tax receipts have been revised up by \$12 billion over the four years to 2021–22, driven by upward revisions to parameter and other variations, partly offset by policy decisions to lower the tax burden on Australians including the Government's Personal Income Tax Plan and the policy of retaining the Medicare levy rate at 2 per cent. Policy decisions are expected to decrease tax receipts by \$13.9 billion over the four years to 2021–22.

Excluding policy decisions, tax receipts have been revised up by \$25.9 billion over the four years to 2021–22, with the strengthening Australian economy creating the conditions for an improved labour market outlook. Stronger forecasts for employment since the 2017–18 MYEFO have contributed to an increase in forecasts for gross income tax withholding of \$13 billion over the four years to 2021–22, excluding new policy. Improved mining profitability on the back of higher commodity prices in 2017–18 is expected to increase forecasts for company taxes – particularly in 2018–19 – by \$3.7 billion over the four years to 2021–22. Robust consumption forecasts, supported by the stronger labour market outlook and the Government's personal income tax policies, have seen upwards revisions to GST of \$4.5 billion and excise and customs duty of \$2.8 billion over the four years.

The Government continues to demonstrate fiscal discipline, limiting growth in government spending to help return the budget to balance and lower government debt. The overall impact of new spending decisions in this Budget is an improvement to the bottom line of \$404 million over the four years to 2021–22.

Prudent expenditure management has limited the average annual real growth in spending to 1.6 per cent from 2018–19.

Under the Government's medium-term fiscal and budget repair strategies, there will be a fiscal consolidation of about 2 per cent of GDP between 2013–14 and 2017–18. To achieve and maintain surplus, the average annual pace of fiscal consolidation across the forward estimates is 0.4 per cent of GDP. The total turnaround in the underlying cash balance between 2013–14 and 2021–22 is projected to be about \$65 billion, or about 3.8 per cent of GDP.

The Government remains committed to achieving surpluses of 1 per cent of GDP as soon as possible, consistent with its medium-term fiscal strategy. The 2018–19 Budget puts Commonwealth finances on a sustainable path to surplus and debt reduction whilst also fostering a stronger economy and maintaining a cap on the overall tax burden. The underlying cash balance is projected to increase through the medium term, with a surplus exceeding 1 per cent of GDP projected in 2026–27.

BUDGET PRIORITIES

Lower, fairer and simpler taxes

The Government is providing tax relief whilst ensuring the integrity of the tax system.

Personal Income Tax Plan

The Government will reduce personal income tax. It is important that the personal income tax system does not act as a disincentive for those taking on additional work or seeking advancement. The progressive nature of the personal income tax system is designed to ensure that those who earn more contribute more. Over time, however, without adjustment to tax brackets, the system can unfairly penalise all taxpayers for earning more as they move into higher tax brackets.

The Government will maintain, as part of its fiscal strategy, its cap on the overall tax burden, consistent with the long-term average of 23.9 per cent of GDP. Whilst the tax system exists to fund the essential services that Australians expect and are entitled to receive, the cap ensures the Government lives within its means by not imposing an increasing tax burden on Australians over time, which would adversely affect growth.

The Government's Personal Income Tax Plan lowers taxes, simplifies the system and means that about 94 per cent of all taxpayers are projected to pay no more than 32.5 cents in the dollar in 2024–25. This plan further helps to protect against bracket creep and builds on the 2016–17 Budget changes which increased the top threshold of the 32.5 per cent bracket from \$80,000 to \$87,000.

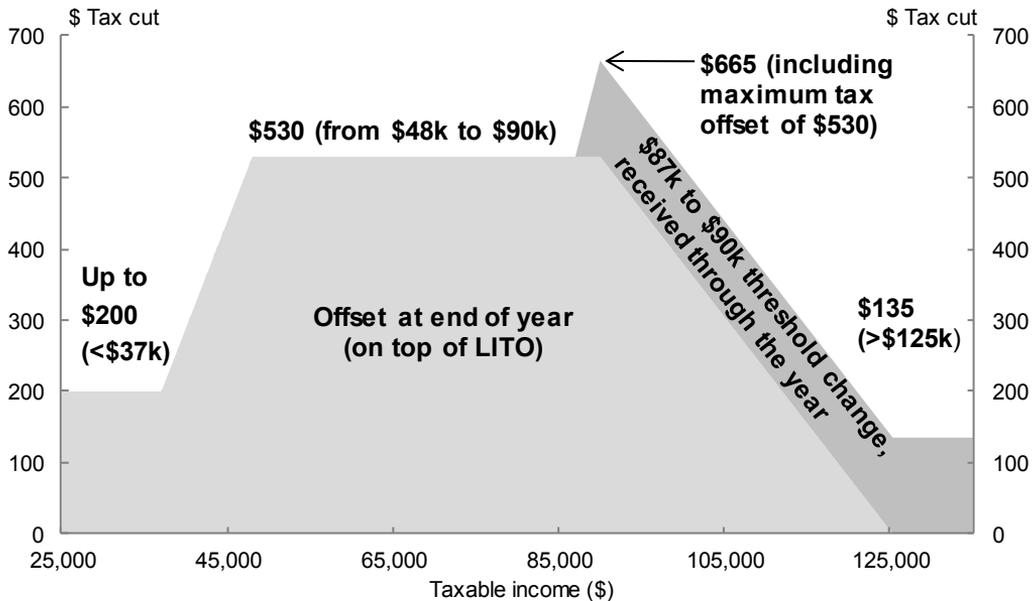
The plan will be delivered in three steps.

Step 1 – Tax relief to low and middle-income earners

This first step targets personal income tax cuts to low and middle-income taxpayers, helping to relieve cost of living pressures. A new, non-refundable tax offset, in addition to the Low Income Tax Offset (LITO), will provide tax relief of up to \$530 to low and middle-income earners for the 2018–19, 2019–20, 2020–21 and 2021–22 income years. The offset will be received as a lump sum on assessment after individuals lodge their tax returns.

This low and middle-income tax offset will assist over 10 million Australians, with about 4.4 million taxpayers with incomes between \$48,000 and \$90,000 receiving the full \$530 benefit for 2018–19.

Chart 1: Annual tax relief 2018–19 to 2021–22 from the offset and increasing the top threshold of the 32.5 per cent bracket



Source: Treasury.

Step 2 – Protecting middle-income Australians from bracket creep

The second step will ensure Australians take home more of their wages, rather than being penalised through a higher marginal tax rate as their wages grow (bracket creep). As part of the second step of the plan, the following changes will be made to the personal income tax system:

- from 1 July 2018, the top threshold of the 32.5 per cent tax bracket will be increased from \$87,000 to \$90,000. This will provide a tax cut of up to \$135 per year to about 3 million taxpayers and will prevent about 200,000 people from facing a marginal tax rate of 37 per cent in 2018–19. This is expected to prevent average full-time wage earners from facing a higher marginal tax rate of 37 per cent in 2019–20;
- the top threshold of the 32.5 per cent bracket will then be further increased from \$90,000 to \$120,000 from 1 July 2022, providing tax relief of up to \$1,350 each year. This change is projected to prevent about 1.8 million taxpayers from facing a higher marginal tax rate of 37 per cent in 2022–23; and
- the benefits provided by the low and middle-income tax offset will be locked in by increasing the top threshold of the 19 per cent bracket from \$37,000 to \$41,000 and increasing the LITO from \$445 to \$645.

Increasing the top threshold of the 32.5 per cent bracket builds on the change in the 2016–17 Budget which increased it from \$80,000 to \$87,000.

Step 3 – Making personal taxes simpler and flatter

The Government is simplifying and flattening the tax system from 1 July 2024 by reducing the number of income tax brackets from five to four. By increasing the top threshold of the 32.5 per cent bracket, thereby removing the current 37 per cent bracket, working Australians will face the same marginal tax rate for incomes between \$41,000 and \$200,000. The top marginal tax rate of 45 per cent will remain for incomes above \$200,000.

This change is projected to prevent about 1.8 million taxpayers from paying a marginal tax rate of 37 per cent or more in 2024–25.

Australia has a progressive tax system which ensures that those with the greatest ability to pay contribute a larger share of all personal income tax revenue. In 2015–16 the top 20 per cent of taxpayers paid about 61 per cent of all personal income tax. Under the plan, this cohort is projected to continue to contribute a broadly similar share.

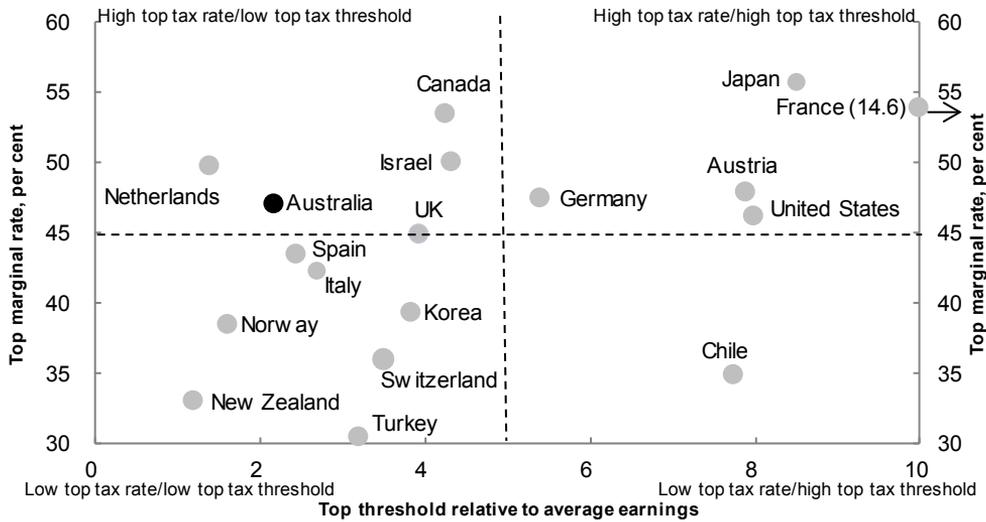
When completed, the plan ensures that about 94 per cent of taxpayers are projected to face a marginal tax rate of 32.5 per cent or less in 2024–25. This compares with a projected 63 per cent of taxpayers in 2024–25 under current settings if there were no changes. The plan provides certainty to the majority of taxpayers that they will face the same marginal tax rate into the future, encouraging Australians to take on additional work, seek advancement and improve their skills.

Table 3: New personal tax rates and thresholds 2018–19, 2022–23 and 2024–25

Rate (%)	Current tax thresholds Income range (\$)	New tax thresholds From 1 July 2018 Income range (\$)	New tax thresholds From 1 July 2022 Income range (\$)	New tax thresholds From 1 July 2024 Income range (\$)
Tax free	0 - 18,200	0 - 18,200	0 - 18,200	0 - 18,200
19	18,201 - 37,000	18,201 - 37,000	18,201 - 41,000	18,201 - 41,000
32.5	37,001 - 87,000	37,001 - 90,000	41,001 - 120,000	41,001 - 200,000
37	87,001 - 180,000	90,001 - 180,000	120,001 - 180,000	-
45	>180,000	>180,000	>180,000	>200,000
Low and middle income tax offset	-	Up to 530	-	-
LITO	Up to 445	Up to 445	Up to 645	Up to 645

Chart 2 shows that Australia’s top marginal tax rate currently cuts in at about 2.2 times average full-time earnings. This compares with 4 times average full-time earnings in Canada and the UK and 8 times in the US. Without change, Australia’s ratio is projected to drop to about 1.7 times average full-time earnings in 2024–25, reducing our international competitiveness and ability to attract and retain talent and skills. Under the plan, this ratio will still fall, but more modestly to about 1.9 in 2024–25.

Chart 2: Top marginal tax rates and top thresholds relative to average full-time earnings, selected OECD countries 2017



Source: Treasury calculations and 2017 OECD Revenue Statistics and Tax Database.

Improving tax system competitiveness and integrity

The Personal Income Tax Plan complements the Government's Enterprise Tax Plan. The Enterprise Tax Plan reduces the tax burden on investment and keeps Australia competitive, with the benefits of the changes flowing through to productivity and then to workers in the form of higher wages. The range of integrity and enforcement measures announced in this Budget, combined with the Diverted Profits Tax and the Multinational Anti-Avoidance Law in addition to other integrity measures, such as changes to the treatment of staples, helps to ensure that Australia has some of the most stringent rules on companies applied globally. Together with the Personal Income Tax Plan, these reforms build a better tax system that is internationally competitive, rewards effort and supports innovation.

Tackling the black economy

The black economy is a complex and costly problem that undermines the tax base and raises the burden on honest individuals and businesses.

The Government is implementing a number of the Black Economy Taskforce final report's recommendations in this Budget.

Key measures announced in the Budget include increasing enforcement of illicit tobacco, an economy-wide cash payment limit of \$10,000 to reduce money laundering and tax evasion, denying deductions for payments to employees and contractors where reporting or withholding obligations are not met and enhancing the ability of enforcement agencies to detect and target black economy participants including the establishment of a taskforce which will allow the sharing of information across

different agencies. These measures will help protect Australia's tax base going forward and ensure that everyone is paying their fair share.

Taking further action on multinational tax integrity

The Government is taking action to ensure the integrity of Australia's thin capitalisation rules, which limit the amount of debt deductions multinational entities can claim in Australia. The Government will improve the integrity of these rules by ensuring that asset valuations used to justify debt deductions are robust and that inbound investors cannot access tests that were only intended for outward investors.

The Government will strengthen the definition of a large multinational (or Significant Global Entity) to ensure that it operates as intended. This will ensure that large multinational businesses that are ultimately owned by private entities or investment entities are not inadvertently excluded from the application of tax integrity rules such as the Diverted Profits Tax and the Multinational Anti-Avoidance Law.

The Government will also remove the ability for Managed Investment Trusts (MITs) and Attribution MITs to apply the capital gains tax discount at the trust level. This will ensure that capital gains are taxed in the hands of the investor as if they had invested directly in the asset giving rise to the gain. Investors will still retain the ability to apply the capital gains tax discount themselves in line with the current rules.

Globalisation and digitalisation of the economy present challenges for the international and Australian tax frameworks. Under existing frameworks, digital businesses can have a significant economic presence in Australia without making a significant contribution to tax revenues here. The Government is committed to ensuring that digital businesses pay their fair share of tax in Australia and is actively engaging with the OECD in exploring options for taxing the digital economy. The Government will shortly be consulting on recent international developments and how digital businesses are taxed in Australia.

Improving tax system integrity

By paying their taxes, all individuals and businesses who earn income in Australia help fund the vital services and infrastructure needed to support the Australian community. The Government is committed to maintaining the integrity of our tax system and levelling the tax playing field by addressing any gaps in our rules and ensuring that the Australian Taxation Office (ATO) has all the tools it requires to enforce those rules. As a result, the ATO has raised \$5.2 billion in tax liabilities from large companies since July 2016.

Maintaining the integrity of the corporate tax base

The Government is tightening the rules on stapled structures to prevent staples being used to convert trading income into more favourably taxed passive income, as well as tightening broader tax concessions for foreign pension funds and sovereign wealth funds. This package of changes ensures that foreign investors will no longer be able to use stapled structures and other concessions to achieve tax rates of 15 per cent or less (or in some cases, almost tax-free) on Australian business income, rather than the 30 per cent that should apply. These measures will raise \$400 million over the forward estimates and will result in significant revenue protection benefits.

The Government is improving the integrity of the tax treatment of concessional loans between tax exempt entities by disallowing inappropriate tax deductions that arise on the repayment of loan principal where tax-exempt entities become taxable.

Research and development tax incentive package

The Government is committed to supporting innovation and research in Australia. A key component of this commitment is ensuring that the taxpayer's significant investment through the Research and Development Tax Incentive (R&DTI) is well targeted and achieves the maximum return on investment for Australia's economy.

The 2016 review of the R&DTI found that the program is failing to meet its objectives of encouraging additional R&D and generating the associated flow-on benefits (spillovers) for the Australian economy.

In response, from 1 July 2018, the Government will better target the R&DTI through a new R&D premium for companies with turnover of \$20 million or more. This will ensure support for larger companies is directed towards those companies undertaking additional, high-intensity business R&D.

The Government will also impose a cap of \$4 million on cash refunds and convert the rate of the R&D tax offsets to a premium above each claimant's company tax rate.

Administrative and compliance improvements that will help improve the ongoing sustainability, transparency and integrity of the R&DTI will also be implemented.

Together these measures will enhance the R&DTI and ensure it is fiscally affordable.

Backing businesses to invest and create jobs

The 2018–19 Budget continues the Government’s plan to strengthen the economy and create jobs. The Government is investing in infrastructure and supporting the international competitiveness of Australian industry.

Investing in infrastructure and regional Australia

The Government has a long-term plan for transport infrastructure, promoting regional development and securing the future of the Great Barrier Reef.

Building priority national infrastructure

The Government is funding \$24.5 billion in new major transport projects and initiatives that will benefit every State and Territory. These projects and initiatives are part of the Government’s \$75 billion investment in transport infrastructure from 2018–19 to 2027–28. The investment uses a combination of grant funding, loans and equity investments.

The Government is establishing the Roads of Strategic Importance initiative. Under this initiative, the Government will provide funding of \$3.5 billion to upgrade key routes to improve access for businesses and communities to essential services, markets and employment opportunities. The Roads of Strategic Importance initiative includes \$1.5 billion for a Northern Australia Package for Queensland, the Northern Territory and Western Australia, \$400 million for Tasmania, \$220 million for the Bindoon Bypass in Western Australia, \$100 million for the Barton Highway Upgrade benefiting New South Wales and the Australian Capital Territory, and \$1.3 billion for future national priorities.

The Government is establishing a \$1 billion Urban Congestion Fund to tackle urban congestion in cities. Additionally, a Major Project Business Case Fund is being established with a contribution of \$250 million for the Commonwealth’s early involvement in major project business case development.

The Budget includes funding to invest in a number of new transport infrastructure projects:

- In New South Wales, the Government is providing \$1.5 billion for new major projects, including \$971 million for the Pacific Highway Coffs Harbour Bypass, \$400 million for the Port Botany Rail Line Duplication and \$155 million for the Nowra Bridge. In addition to funding these projects, the Commonwealth and New South Wales governments will be equal partners in funding the first stage of the North South Rail Link in Western Sydney.

- In Victoria, the Government is providing \$7.8 billion for new major projects, including a commitment of up to \$5 billion for the Melbourne Airport Rail Link, \$1.8 billion for the North East Link, \$475 million for Monash Rail, \$225 million for electrification for the Frankston Rail Line to Baxter, \$140 million for a Victorian congestion package, \$132 million to complete the duplication of the Princes Highway East from Traralgon to Sale and \$50 million for Geelong Rail Line upgrades.
- In Queensland, the Government is providing \$5.2 billion for new major projects, including an additional \$3.3 billion for priority upgrades on the Bruce Highway, an additional \$1 billion for the M1 Pacific Motorway, \$390 million for the Beerburrum to Nambour Rail Upgrade, \$300 million for the Brisbane Metro project and \$170 million for the Cunningham Highway – Yamanto to Ebenezer (Amberley Interchange).
- In Western Australia, the Government is providing \$2.6 billion for new major projects, including a further \$1.1 billion for the METRONET rail project, \$944 million for a Perth Congestion Package and \$560 million for the Bunbury Outer Ring Road.
- In South Australia, the Government is providing \$1.8 billion for new major projects, including \$1.4 billion for North-South Road Corridor projects, with the Regency Road to Pym Street section of the Corridor to receive \$177 million. The Government is providing \$220 million for the Gawler Rail Line electrification and \$160 million for the Joy Baluch Bridge.
- In Tasmania, the Government is providing \$461 million for the Bridgewater Bridge replacement and an additional \$59.8 million for the Tasmanian Freight Rail Revitalisation Package.
- In the Australian Capital Territory, the Government is providing \$100 million for the Monaro Highway Upgrade.
- In the Northern Territory, the Government is providing \$280 million for upgrades of the Central Arnhem Road and the Buntine Highway.

These new major projects will add to the more than 500 major projects that the Government has funded since 2013. There are 141 projects under construction or development, 142 are in the pre-construction stage involving detailed design and planning works, procurements, or environmental assessment and 227 are completed.

Construction on the Western Sydney Airport is due to commence this year and operations by 2026. The Government is providing equity of up to \$5.3 billion in WSA Co to deliver stage one of Western Sydney Airport. Western Sydney Airport will support an estimated 28,000 direct and indirect jobs by 2031 and act as a major catalyst for the development of the broader Western Sydney region.

Preparatory work on the Melbourne to Brisbane Inland Rail project is underway and construction is due to commence this year. The Government is delivering Inland Rail by providing \$9.3 billion in equity and grant funding to the Australian Rail Track Corporation (ARTC). The ARTC will also enter into a Public Private Partnership to deliver the most complex sections of the project. Inland Rail will support an estimated 16,000 direct and indirect jobs during construction.

The funding received by New South Wales and Victoria for their shares of Snowy Hydro – \$4.2 billion and \$2.1 billion respectively – will be invested in productive infrastructure in those states.

Regional development

The Government is providing \$200 million for a third round of the Building Better Regions Fund to support regional infrastructure and community investment. This is in addition to the Regional Growth Fund, which is investing \$272 million in larger regional infrastructure projects that support long-term economic growth and create jobs in regions undergoing structural adjustment.

Securing the future of the Great Barrier Reef

The Government is investing \$535.9 million to secure the future of the World Heritage-listed Great Barrier Reef and the jobs it supports. The Reef supports tens of thousands of jobs and many small businesses in regional Australia.

To safeguard this national treasure, the Government will provide \$443.8 million to enter into a tied partnership fund with the Great Barrier Reef Foundation, a not-for-profit organisation dedicated to supporting the Reef.

The fund will work to deliver programs addressing the key challenges facing the Reef, including \$200.6 million to improve water quality, \$100 million to unlock new scientific insights to help strengthen the resilience of the Reef through coral restoration and adaptation research and \$58 million to advance programs to combat the crown-of-thorns starfish.

The fund will also deliver \$40 million to enhance Reef health monitoring and reporting, and \$44.8 million will support delivery of the plan and engagement with Traditional Owners and the broader community to protect the Reef.

A stronger and smarter economy

The Government is continuing to invest in science, medical research and technology to maximise the benefits of the smart economy.

A National Health and Medical Industry Growth Plan

This Budget includes a \$1.3 billion National Health and Medical Industry Growth Plan designed to generate economic returns and accelerate Australia's competitive advantage as a global health industry leader in the medical technology, biotechnology and pharmaceuticals sectors.

The Growth Plan includes a ten-year \$500 million commitment to the Genomics Health Futures Mission as well as a further \$707.3 million in funding from the Medical Research Future Fund to support the Frontier Health and Medical Research program, expanded clinical trial programs, the Targeted Translation Research Accelerator, Biomedtech programs and Industry Researcher Collaborations.

The Government is committed to making it easier for companies, sponsors and investigators to navigate and invest in clinical trial activity across Australia. The Growth Plan also includes a commitment to develop a business case to explore the feasibility of a National Front Door for clinical trial activities and \$30 million to enhance the data sharing and release capabilities of the Australian Institute of Health and Welfare.

Investing in science and research infrastructure

Investment in significant infrastructure will support research and technological development. The Government is investing an additional \$393.3 million over five years from 2017-18 (about \$1.9 billion over 12 years) in Australia's national research infrastructure facilities. These facilities are the foundation of our innovation system. They allow our researchers and firms to deliver better goods and services and better outcomes for consumers.

Australia's research infrastructure facilities support research across a broad range of sectors such as health and marine science. For example, access to research facilities assisted in the development of cervical cancer vaccines and breakthroughs in quantum computing.

The Government is supporting Australians to develop the skills they need in a smarter economy. Building on the National Innovation and Science Agenda measures to develop talent and skills, the Government is providing \$4.5 million over four years from 2018-19 to encourage more women into education and careers in science, technology, engineering and mathematics (STEM).

Better GPS and satellite technology access for Australians

In this Budget the Government will invest \$224.9 million over four years to provide accurate satellite-based positional, navigation and timing (PNT) capability which will enhance GPS capability across Australia. This measure will deliver PNT data with an accuracy of three to five centimetres for regional and metropolitan areas with mobile phone coverage and up to 10 centimetres elsewhere.

Better GPS will improve productivity by providing the accuracy and precision required for new technology to be used in industries such as aviation, agriculture, and transport. The Digital Earth Australia (DEA) platform provides access to reliable, standardised satellite data that is used by businesses, individuals, researchers and government to build new digital products and services. The Government is providing \$36.9 million over three years (and \$12.8 million each year ongoing) for DEA in this Budget. This builds on an initial investment of \$15.3 million provided in the 2017-18 Budget.

These investments will improve Australia's competitiveness by helping businesses and researchers to develop new products and processes that improve productivity and efficiency.

Digital transformation to improve Government services

The Government is taking advantage of digital transformation opportunities to deliver better quality services to businesses and users. To do this, the Government will provide \$19.3 million in 2018-19 to develop a detailed business case for a registry platform for modernised business registers at the Australian Business Register (ABR). The Government will also provide \$92.4 million in 2018-19 for the next stages of the Commonwealth digital identity solution, GovPass. The GovPass program will allow users to create their digital identity and use this digital identity to engage with services online. This funding will include a public trial of approximately 100,000 tax file number (TFN) applications being completed online.

Unlocking new opportunities with the use of data

Establishing a Consumer Data Right will give consumers greater control of their personal data and the choice to direct businesses to share consumers' data safely with trusted recipients, who in turn will be able to offer better deals through innovative products and comparison services. The Government will invest \$45 million over four years to develop the Consumer Data Right as a safer way for consumers to share and use their data. The Right will commence with the banking, energy and telecommunications sectors and eventually apply economy-wide. Data-driven competition and innovation will grow the economy, creating high-value jobs.

Improvements are also being made to how the Government handles and uses the data it collects to deliver better services and outcomes for Australians, whilst protecting information security. A National Data Commissioner will implement and oversee a simpler, safer and more efficient government data use framework. The National Data Commissioner will be the trusted overseer of the Government data system, responsible for proactively monitoring the integrity of the system and engaging with the community.

Developing new industries by investing in digital technologies

Through a \$29.9 million investment, the Government will support the development of Australia's artificial intelligence (AI) and machine learning capability. A Technology Roadmap, a Standards Framework and a national AI Ethics Framework will help identify opportunities in AI and machine learning for Australia and support the responsible development of these technologies. This measure will also support Cooperative Research Centre projects, PhD scholarships and school-related learning to increase knowledge and develop the skills needed for AI and machine learning.

Promoting Australia's international competitiveness

The Government is promoting more open trade, improving access to markets and supporting Australia's agricultural and defence industry exports.

Increasing agricultural exports and improving farmers' competitiveness

The Government's agricultural initiatives have helped Australian farmers increase their production and exports by more than one quarter between 2012–13 and 2016–17. This Budget will further increase agricultural access to export markets and enhance the competitiveness and productivity of our primary producers.

Australian farmers are already benefiting from the Government's free trade deals with China, Japan and South Korea. They will benefit further with the implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. This Budget provides \$51.3 million to maximise the potential of these agreements by expanding Australia's network of agricultural trade counsellors in export markets in Asia, Europe and Latin America. Investing \$128.2 million will help ensure farmers can continue to leverage Australia's favourable pest and disease status in export markets. The Government is also committing \$3.6 million over five years to help beef exporters maintain access to the Indonesian market.

The Budget will enhance productivity in Australia's primary industries. The \$20 million National Forestry Industry Plan will drive growth in the timber and wood fibre sectors. The Government will provide \$6.3 million to improve farmers' access to agricultural and veterinary chemicals. The Budget also includes \$4.7 million to improve the collection of agricultural labour force data to better understand the skills and labour gaps that farm businesses face. The Government is allocating \$226 million in grant funding and a \$50 million concessional loan to projects which will help ensure farmers can access the water they need.

Defence export strategy

The Government's Defence Export Strategy (the Strategy) builds on its defence industry policy by opening new opportunities for the Australian defence industry to grow, innovate and support Defence's future needs. This will support jobs right across the defence industry supply chain throughout Australia. The Government is providing \$20 million each year to support defence exports and a new Australian Defence Export Office will be created within the Department of Defence to drive implementation of the Strategy.

More opportunities for Australia to compete globally

The Government will support Australian businesses to capture opportunities around the world, particularly in the fast-growing Asian markets. Increasing funding for local export hubs will help Australian small and medium enterprises gain access to international markets.

The \$20 million Asian Innovation Strategy will help Australian businesses and researchers to form overseas partnerships and gain access to new market opportunities, and extend the Australia-India Strategic Research Fund for an additional four years.

The establishment of a national space agency will support Australian researchers and industries to collaborate as well as gain access to international projects and research infrastructure.

Continuing to guarantee the essential services on which Australians rely

Government decisions in the 2018-19 Budget reflect the Government's commitment to ensure essential services for all Australians. The Government is helping people to plan for the opportunities of a longer life through its More Choices for a Longer Life Package, fully funding the National Disability Insurance Scheme (NDIS), continuing to guarantee Medicare and providing significant new funding for hospitals.

More Choices for a Longer Life Package

The Government is delivering its More Choices for a Longer Life Package which maximises the opportunities that a longer life brings. It includes measures which support Australians to be prepared to live a healthy, independent, connected and safe life.

Retirement savings will be enhanced by the one-year work test exemption, allowing recent retirees to make voluntary superannuation contributions for a year after they are no longer working. Expanding the Pension Loans Scheme to facilitate home equity release will give all retirees of Age Pension age, not just part-rate pensioners, greater choice and flexibility to meet their consumption needs in retirement. Full-rate pensioners will be able to support their income by up to \$11,799 (singles) or \$17,787 (couples) each year by unlocking the equity in their home.

Expanding the Pension Work Bonus, at a cost of \$227.4 million over the forward estimates, will support participation by improving age pensioners' labour market incentives. Age Pensioners will be able to earn up to \$300 each fortnight, which is an additional \$50 each fortnight; without reducing their pension payments, that is an extra \$1,300 each year. In addition, for the first time, older Australians who are self-employed will be able to benefit from accessing the Work Bonus, so they too can earn up to \$300 each fortnight without reducing their pension; that is an extra \$7,800 each year.

Standards of living will also be enhanced by measures to improve choice of retirement income products, notably clarifying the Age Pension treatment of innovative income stream products, and introducing a retirement income covenant for superannuation trustees to formulate a retirement strategy for members and offer a wider variety of products. Retirees will be assisted in making decisions and comparing retirement income products through enhanced disclosure requirements on providers.

These measures build on reforms in the 2016–17 and 2017–18 Budgets which improved flexibility for contributions to superannuation and started to set out a framework for retirement income products.

The Package includes online interactive checks for people aged 45 and 65, to encourage them to start early in preparing for a longer, active and more engaged life. The checks will help people to find tailored information and support in the areas of health, skills, jobs, finances and being connected to their community.

The Government will also implement a series of measures to support individuals to remain engaged in the workforce. The Government will provide \$17.7 million to expand the Entrepreneurship Facilitators program to additional locations to support individuals to start their own businesses; and \$19.3 million on a new Skills and Training Incentive to allow more mature workers whose jobs may be at risk to undertake training.

To support the mental and physical health of older Australians, the Government is spending \$82.5 million to improve access to mental health services, \$20 million to support older Australians to remain socially connected to their communities and \$22.9 million to promote increased physical activity.

The Government is expanding the aged care system to better support people's choices in how and where they receive care. The Government has committed \$1.6 billion to provide about 14,000 additional high-level home care packages, enabling people to live in their own home for longer.

The Government is establishing an Aged Care Quality and Safety Commission and developing a new approach for monitoring quality in the aged care sector to ensure aged care services meet the high standards of care that the community expects. This forms part of the Government's response to the *Review of National Aged Care Quality Regulatory Processes*.

The Package responds to findings of the Australian Law Reform Commission's report *Elder Abuse – A National Legal Response*. The Government will provide \$22 million to protect older Australians from abuse, including by funding trials of specialist elder abuse support services. The Government has further committed to working with the States and Territories to develop a national online register for enduring powers of attorney, in addition to developing a National Plan on Elder Abuse.

Protecting Australians' superannuation

The Government is committed to protecting Australians' retirement savings from undue erosion by fees and insurance premiums. The Government is reforming key aspects of the superannuation regulatory framework so members are not subject to unfair fees and are not charged insurance premiums for unnecessary or inappropriate cover. By modernising the current lost and unclaimed superannuation regime, the Government will also ensure that lost and inactive accounts held by the ATO are automatically returned to members where possible.

Investing in the health of Australians

The Government has fully funded a new five-year public hospital agreement from 2020–21 to 2024–25. This agreement will deliver an additional \$30 billion compared with the previous five years.

This Budget includes \$1.4 billion for new and amended listings on the Pharmaceutical Benefits Scheme (PBS) including medicines for spinal muscular atrophy, breast cancer, refractory multiple myeloma, relapsing-remitting multiple sclerosis and the prevention of HIV, ensuring Australians continue to have access to affordable medicines.

The Government is continuing to guarantee funding for the Medicare Benefits Schedule (MBS) and the PBS through the Medicare Guarantee Fund (MGF). A total of \$34.4 billion has been credited to the MGF for 2017–18. A further credit of \$35.3 billion will be made to meet expected PBS and MBS expenditure for the 2018–19 year.

The Government is fully funding its share of the NDIS. The Government is contributing \$43 billion to fund the NDIS from 2018–19 to 2021–22, out of a total of \$83.2 billion.

This Budget also includes \$154.3 million for a range of initiatives to encourage school children and members of the community to be more active and healthy and protect the integrity of Australian sport.

The Government is building on its \$30 million social impact investing commitments in the 2017–18 Budget which included trials aimed at improving housing and welfare outcomes for young people at risk of homelessness. In this Budget, the Government is announcing that it will work in partnership with Impact Investing Australia to examine opportunities to leverage private sector capital and community sector engagement to build the impact investment market to scale in Australia and tackle issues that affect Australian families and communities.

Achieving excellence in Australian schools

The Government has endorsed the recommendations of the *Review to Achieve Educational Excellence in Australian Schools* led by David Gonski AC and is working with the States and Territories to deliver the blueprint for reform. The reforms will help to build a stronger school system and provide schools, teachers and parents with the tools and capabilities they need to enable all Australian students to reach their full potential. The Government is making sure that record levels of funding committed in the 2017–18 Budget deliver better educational outcomes for every student.

The Government is supporting rural and regional Australia by delivering on the recommendations of the *Independent Review into Regional, Rural and Remote Education*. The Government will provide \$28.2 million to expand access to sub-bachelor (including enabling) places to allow greater access to higher education for rural and regional students. The Government will also provide \$14 million to fund additional Commonwealth supported places for bachelor students studying at Regional Study Hubs.

Concerted action to deliver affordable, reliable and sustainable energy

The Government is taking action to ensure the Australian energy market delivers affordable, reliable and sustainable energy for Australian households and businesses. The Government has accepted the Energy Security Board’s recommendation for a new National Energy Guarantee to deliver a reliable National Electricity Market while reducing electricity sector emissions in line with our international commitments.

The Government is promoting competition and consumer choice by designating energy as one of the three priority sectors for the new Consumer Data Right. Being able to share their data safely with comparison services will make it easier for consumers to get the best deal. This builds on the many steps the Government has taken since the last Budget to promote choice and lower prices including:

- securing an agreement from major electricity retailers to ensure that Australians get the best deal on their electricity;
- asking the Australian Energy Market Commission to ban misleading discounting practices by electricity retailers; and

- abolishing the Limited Merits Review regime which allowed electricity network businesses to appeal regulatory decisions and charge more for electricity.

In addition, the ACCC will continue to investigate the competitiveness of retail electricity and gas markets at the direction of the Government. Since the last Budget, the ACCC has released a preliminary report on retail electricity in the National Electricity Market, as well as three interim reports on the gas market.

The Government has also moved to ensure that Australians have a secure domestic supply of gas. Following an agreement in October last year, major east coast gas exporters need to ensure that sufficient gas is made available for domestic users before choosing to export gas. Government action has helped gas market conditions ease and wholesale price offers fall.

The Government is investing in significant infrastructure to harness the opportunities from the rapidly-changing energy system. The Government has reached agreement with NSW and Victoria to take full ownership of Snowy Hydro, paving the way for the Snowy Hydro 2.0 project which will provide 2,000 megawatts of extra electricity capacity and enough storage to power 500,000 homes for a week.

Keeping Australians safe

The Government is investing additional funding to protect Australians. The establishment of the Home Affairs Portfolio reflects the Government's commitment to a stronger, safer and secure Australia and is a direct response to the increasingly complex and challenging security environment. The 2018–19 Budget includes funding to: increase airport and airline security; increase biosecurity; support border security; enhance the capabilities of the Australian Federal Police and the security agencies; establish a National Criminal Intelligence System; and secure justice for the victims of Malaysian Airlines Flight MH17.

Enhancing aviation security

The Government is investing \$293.6 million in aviation security to safeguard Australia against evolving threats in the civil aviation, air cargo and international mail sectors. This includes:

- \$50.1 million to enhance security arrangements at 64 regional airports with new and upgraded screening technologies and associated infrastructure;
- \$121.6 million to enhance screening capability for inbound air cargo and international mail with new and upgraded equipment and advanced technology; and
- \$121.9 million to increase the presence and specialist capabilities of the Australian Federal Police and Australian Border Force at nine major domestic and international airports.

Managing biosecurity risks

Our favourable pest and disease status is critical to protecting our agricultural production, exports and tourism sector, as well as Australia's unique natural environment. The Government is investing \$102 million to manage biosecurity risks before and at the border with a seamless border clearance process and enhanced capacity to plan for and respond to emerging pest and disease priorities. The Budget also includes \$20 million to help combat the fruit fly outbreak in Tasmania. A further \$6.6 million will help manage the impact of established pests and weeds on the agriculture sector.

Protecting Australia's borders

Australia enjoys a safe and secure border as a result of the Government's strong and consistent border protection policies. Under Operation Sovereign Borders, the Government has halted the people smugglers, ended the deaths at sea and removed all children from detention. Maintaining the integrity of the border and combating the continuing threat from people smugglers requires consistent effort. Therefore the Government is providing \$62.2 million for the continuation of Operation Sovereign Borders. This includes maintaining Australian Border Force Cutter Ocean Shield at surge capacity, continuing to invest in regional cooperation arrangements and supporting international engagement activities to prevent and disrupt people smuggling.

Investing in national security agencies

The Government is strengthening Australia's security and intelligence agencies to address an increasingly complex security environment. Through establishing the Office of National Intelligence and providing funding for a Joint Capability Fund, the Government will enhance cooperation between our domestic security and law enforcement agencies.

In line with the recommendations of the Independent Intelligence Review, the Government is providing \$70.2 million to augment the Office of the Inspector-General of Intelligence and Security and to undertake a comprehensive review of the national security legislation framework.

The Government is continuing to invest in the vital work of national security agencies including:

- more than \$37 million to support the operations of the Australian Federal Police, the Australian Criminal Intelligence Commission and the Australian Security Intelligence Organisation;
- \$130 million to upgrade the capacity and performance of the Department of Home Affairs' ICT infrastructure, enhance its analytics and threat management capabilities and establish a platform for the enterprise identity management system;

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- \$68.6 million to establish the Australian Centre to Counter Child Exploitation, which will help disrupt, prevent and investigate child exploitation and abuse; and
- \$59.1 million to create the National Criminal Intelligence System, which will provide law enforcement and intelligence agencies with a national repository of criminal intelligence and information.

Securing justice for MH17

The Government is delivering on its commitment to secure justice for the Australian victims on board Malaysian Airlines Flight MH17 on 17 July 2014. It has allocated \$50.3 million for Australia's participation in the Dutch National Prosecution to prosecute those responsible for this crime, as well as ensuring the victims' families can participate fully in the process, including being provided with sufficient support from our Embassies in The Hague and Kyiv.