

## MEMBER BULLETIN

9 May 2017

### 2017-18 FEDERAL BUDGET TOURISM ACCOMMODATION AUSTRALIA OVERVIEW

Last night, Treasurer Scott Morrison handed down the 2017-18 Federal Budget. The Treasurer described the 2017 budget as “practical”, indicative of the Government’s belief that its measures are more likely to be passed by parliament than those of budgets in recent years.

#### GENERAL BUDGET OVERVIEW

The Treasurer announced that there will be an expected underlying cash deficit of \$29.4 billion deficit in the 2017-18 financial year (1.6 per cent of GDP). The underlying cash deficit is expected to reduce to \$2.5 billion (0.1 per cent of GDP) in 2019-20, and improve over the forward estimates to return to a surplus of \$7.4 billion (0.4 per cent of GDP) in 2020-21.

Real GDP growth is forecast to have slowed to 1.75 per cent in the 2016-17 financial year (because of weather-related factors in early 2016-17 and the more recent impact of Tropical Cyclone Debbie). It is expected to grow at 2.75 per cent in 2017-18 and at 3 per cent in 2018-19 and forward estimates.

The unemployment rate is forecast to fall from 5.75 per cent in 2017-18 to 5.5 per cent to in 2019-20. It is projected to stay steady at 5.5 per cent in 2019-20 and drop further to 5.25 per cent in 2020-21.

The budget measures impacting the tourism sector, outlined in greater detail below, occur against a backdrop of strong industry performance and investment. International visitor numbers grew to record numbers off the back of continuing high demand for Australian tourism experiences from China and other Asian markets as well as our traditional market. The domestic market has also recorded solid growth that has been aided by the lower Australian dollar. Consequently, the Government believes that it is on target to reach the Tourism 2020 goal of doubling overnight visitor expenditure to between \$115 and \$140 billion annually.

#### LABOUR AND SKILLS

- \$1.5 billion over four years to establish the Skilling Australians Fund. The fund will prioritise 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.
- In addition to the contribution coming from the migration schemes, the government will contribute \$261.2 million in 2017-18 to the Skilling Australians Fund.
- \$60 million over two years to establish industry specialist mentoring services to complement the work of the Australian Apprenticeship support network.

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- Savings of \$112.4 million over five years (with an increased investment of \$13.7 million) in the Skills for Education and Employment (SEE) program which assists eligible job seekers with literacy and numeracy training. Funding of \$462.5 million will continue to be provided.
- Australian Skills Quality Authority (ASQA) - two existing ASQA annual registration charges will be replaced by a new simplified registration levy. As this levy replaces existing charges, there is no net impact on the budget.
- Provide \$24.0 million over four years from 2017-18 to establish a Rural and Regional Enterprise Scholarships programme to improve educational attainment, skills development, and employment opportunities for rural and regional students;

### IMMIGRATION AND BORDER PROTECTION

- Employers utilising labour on the temporary skill shortage visa (457 visa) will be required to contribute to the new Skilling Australians Fund, which is projected to raise \$1.2 billion over the four year forward estimates. Businesses with turnover of less than \$10 million per year will be required to contribute \$1200 per visa holder each year. Businesses with turnover of more than \$10 million will be required to contribute \$1800 per visa holder each year. These amounts are multiple times higher than what was expected.
- A one-off fee for small businesses of \$3000, and \$5000 for larger businesses for each employee sponsored under the permanent employer nomination scheme or regional sponsored migration scheme.
- The indexation of visa application charges to the CPI is expected to raise \$410 million over four years.
- The Government has allocated \$185.4 million over the forward estimates to improve visa processing including biometric processing functionality.

### INFRASTRUCTURE AND REGIONAL DEVELOPMENT

Development of national infrastructure has been a centrepiece of the 2017-18 budget, with the Government committing \$4.9 billion to the portfolio.

- It was announced prior to Budget that the Government is committed to the delivery of the Western Sydney Airport at Badgerys' Creek. The Government will own and operate the airport, slated to be operational by 2026. The Government will commit up to \$5.3 billion in equity to be invested over 10 years in line with the construction schedule.

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- \$20 million in funding to support business case development for infrastructure projects focussed on achieving faster rail connections between major cities and major regional centres. The Government will seek submissions from proponents interested in partnering in the design, build and operation of faster rail in key transport corridors, under which the Government would provide up to 50 per cent of funding for the projects if approved;
- The commencement of a \$10 billion investment package in rail projects as part of the National Rail Programme and the provision of an additional \$8.4 billion in funds to deliver the Inland Rail project to provide a high-capacity freight link between Melbourne and Brisbane through the Australia Rail Track Corporation; and
- Injection of over \$1 billion in funds to upgrade Victorian rail infrastructure, and \$792 million package delivered to the Metronet project in Western Australia.
- \$30 million for planning the Tullamarine airport rail link.
- Provide \$472.2 million over four years from 2017-18 to establish the Regional Growth Fund. The Regional Growth Fund will include \$272.2 million to provide grants of \$10.0 million or more for major transformational projects which support long-term economic growth and create jobs in regions undergoing structural adjustment.
- In addition, \$200.0 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 \$497.7 million.
- The Commonwealth is funding projects that create and encourage tourism and assist the tourism industry to meet the national tourism strategy, Tourism 2020. The Tourism Demand Driver Grants

### TOURISM AUSTRALIA

- Tourism Australia's budget has been cut 10% in 2017/18 to \$129.3 million. The funding cuts equates to \$35 million over the forward estimates. Tourism Australia advise that approximately \$9 million of the \$12 million cut over the first year is due to the Foreign Exchange Hedging Agreement with the Department of Finance in 2014, which pegs the \$A to 90c in overseas markets. There is an actual cut of \$3 million - \$2.5 million which is the efficiency dividend and the remainder is wage cost indexation.
- The Government will provide \$5.0 million in 2016-17 to assist the Queensland tourism industry to recover from the impact of Tropical Cyclone Debbie. Tourism Australia will undertake media advertising to promote the continued availability of tourist venues in North Queensland at a cost of \$0.5 million. Tourism Australia will also reprioritise \$1.0 million of existing marketing investment funds to focus its current international coastal and aquatic campaign on Queensland destinations.

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### TAXATION

- **Capital gains tax changes for foreign investors.** The Government will extend Australia's foreign resident capital gains tax (CGT) regime by:
  - denying foreign and temporary tax residents access to the CGT main residence exemption from 7:30PM (AEST) on 9 May 2017, however existing properties held prior to this date will be grandfathered until 30 June 2019;
  - increasing the CGT withholding rate for foreign tax residents from 10.0 per cent to 12.5 per cent, from 1 July 2017; and
  - reducing the CGT withholding threshold for foreign tax residents from \$2 million to \$750,000, from 1 July 2017.
- **Restrict foreign ownership in new housing/apartment developments to no more than 50 per cent.** The Government will introduce a 50 per cent cap on foreign ownership in new developments through a condition on New Dwelling Exemption Certificates. The cap will be included as a condition on New Dwelling Exemption Certificates where the application was made from 7:30PM (AEST) on 9 May 2017.

New Dwelling Exemption Certificates are granted to property developers and act as a pre-approval allowing the sale of new dwellings in a specified development to foreign persons without each foreign purchaser seeking their own foreign investment approval. The current certificates do not limit the amount of sales that may be made to foreign purchasers. The measure will ensure that a minimum proportion of developments are available for Australians to purchase.

### ENERGY AND ENVIRONMENT

- \$30.4 million over four years from 2017-18 to undertake scientific assessments on three prospective onshore unconventional gas sites to identify the potential impacts on water resources and other environmental assets;
- \$28.7 million over four years from 2017-18 to accelerate the development of onshore gas for the domestic market;
- \$19.6 million over four years from 2017-18 for the Gas Market Reform Group to accelerate reforms agreed by the COAG Energy Council to improve gas market efficiency and transparency; and
- \$6.6 million over three years from 2017-18 to the Australian Competition and Consumer Commission (ACCC) to establish a monitoring regime for the gas market by using its inquiry powers to compel the gas industry to provide greater transparency of transactions in the gas market, including factors affecting supply and pricing

### MORE INFORMATION

If you have questions about the information provided in this overview, or would like further information, please email: [taa@tourismaccommodation.com.au](mailto:taa@tourismaccommodation.com.au)