Tourism Accommodation Australia
A division of the AHA

MEMBER BULLETIN

9 May 2018

2018-19 COMMONWEALTH BUDGET
TOURISM ACCOMMODATION AUSTRALIA OVERVIEW

Yesterday evening, Treasurer Scott Morrison handed down the 2018-19 Commonwealth Budget. The Treasurer said in his speech to Parliament that this year's Budget is about a stronger economy, more jobs, guaranteeing essential services, and the Government living withing its means.

DEFICIT (UNDERLYING CASH BALANCE)

2017-18 recorded a budget deficit of $18.2 billion. The estimate for 2018-19 is a deficit of $14.5 billion. The budget is forecast to return to surplus in 2019-20 with a surplus of $2.2 billion. The underlying cash balances for 2017-18 and 2018-19 are the strongest since the onset of the Global Financial Crisis.

	Actual	Estimates		Projections			
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Total(a)
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.

MAJOR ECONOMIC PARAMETERS

Real GDP: Real GDP is forecast to have grown by 2.75% GDP in 2017-18. This will accelerate to growth of 3% p.a. in 2018-19 and 2019-20.

Unemployment Rate: The unemployment is forecast to fall from 5.5% in 2017-18 to 5.25% in 2018-19. It will remain at this rate in 2019-20.

Wage Growth: Wage growth is expected to be 2.25% in 2017-18, increasing to 2.75% in 2018-19 and 3.25% in 2019-20.

	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.

The budget measures relevant to the tourism sector are outlined in greater detail below. The tourism industry including the accommodation sector is continuing to perform strongly in both visitation, expenditure and investment. In 2017, both international and domestic visitor nights increased 4.8% to 265 million and 350 million respectively. International visitor expenditure increased 5.6% to $41 billion and domestic visitor expenditure increased 5.8% to $64 billion, meaning the industry is on target to meet the Tourism 2020 overnight expenditure target band of $115 to $140 billion. In terms of investment, there are over 200 hotel projects and 40,000 rooms in the capital city supply pipeline across Australia.

TOURISM AUSTRALIA FUNDING

In 2018-19, Tourism Australia's total funding from Government will increase $0.68 million to $148.988 million. This consists of a $3.18 million increase in annual appropriations for Tourism Australia's ordinary services, and a known $2.5 million decrease in funding associated with the working holiday maker campaign.

Tourism Australia's total appropriation will increase over the forward estimates to $162.2 million in 2021-22. This funding is for marketing spending and will not be subject to efficiency dividends.

VISA APPLICATION FEES AND INVESTMENT IN PROCESSING

Revenue from Visa Application Charges (VAC) is expected to increase to $2541.7 million in 2018-19, an increase of $394.4 million. This increase is primarily due to the annual indexation of VACs to CPI, which was announced in the 2017-18 Budget. A further increase of $119.5 million is due to increases in the revenue estimates for both the Passenger Movement Charge and Import Processing Charge. The expected increase in the collection of the PMC generally aligns with the expected growth in international passenger movements.

SKILLING AUSTRALIANS FUND

As announced in 2017-18, $1.5 billion will be committed through the Skilling Australians Fund to grow the number of apprenticeships in Australia. Funding has been extended to 30 June 2022. The national partnership with the states will now commence on 1 July 2018.

SKILLING AUSTRALIANS FUND (Refunds and Exemptions)

In response to TAA advocacy, the Government will expand the refund provisions for the Skilling Australians Fund levy to allow refunds of the levy in the following scenarios:

- the employer's sponsorship application is approved but the employee's subsequent visa application is refused on health or character grounds
- the sponsorship and visa applications are approved but the visa holder does not commence work with the employer

- a Temporary Skill Shortage (subclass 482) visa holder leaves their employer within the first 12 months of employment where the visa period was for more than 12 months. Refunds will only be available in this scenario for unused full years of the levy.

These provisions are in addition to the existing refund provision for scenarios in which an employer's sponsorship application is refused.

The commencement of the Skilling Australians Fund levy is subject to the passage of legislation through the Parliament, expected imminently. The legislation was amended in the Senate and now includes mandatory labour market testing provisions. Members will be advised on the operation of the Skilling Australians Fund once the legislation receives assent from both houses of Parliament.

BUILDING BETTER REGIONS FUND

The Government will provide $206.5 million over four years from 2018-19 for round three of the Building Better Regions Fund, to support investment in community infrastructure and capacity building projects in regional areas. This includes $45.0 million to improve tourism related infrastructure and supporting demand-driven projects.

This allocation will replace the previous Tourism Demand Driver Infrastructure Scheme which expired in 2017-18. The $45 million allocation for regional tourism infrastructure is of vital importance to increase regional dispersal and improve the capacity and attraction of regional visitor economies. Where previously the State, Territory and Commonwealth governments had shared the responsibility of the TDDI scheme, the BBRF will be solely executed by the Commonwealth Government.

MELBOURNE AIRPORT RAIL LINK

The Government will provide up to $5.0 billion for the Melbourne Airport Rail Link, with specific funding arrangements, including an option for equity investment, to be settled at a later date and with an equivalent contribution to be provided by the Victorian Government;

SYDNEY CRUISE SHIP STRATEGY

The Government will provide $0.3 million in 2018-19 to develop options for additional cruise ship berthing sites in Sydney to support the growth of the cruise ship tourism sector.

GST ON ONLINE HOTEL BOOKINGS

The Government will extend the GST by ensuring that offshore sellers of hotel accommodation in Australia calculate their GST turnover in the same way as local sellers from 1 July 2019.

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Currently offshore sellers of Australian hotel accommodation are exempt from including sales of hotel accommodation in their GST turnover. This means they are often not required to register for and charge GST on their mark up over the wholesale price of the accommodation.

Removing the exemption will level the playing field by ensuring the same tax treatment of Australian hotel accommodation, whether booked through a domestic or offshore company. TAA is awaiting clarity from the ATO as it remains unclear what financial effect this measure will have on Australian hotels using online distribution channels.

The measure will apply to sales made on or after 1 July 2019. This measure is estimated to have a gain to revenue of $15.0 million, and an increase in GST payments to the States and Territories of $15.0 million, over the forward estimates period.

Other Relevant Taxation Issues

- A new non-refundable low and middle income tax offset of up to $530 per annum will be provided to low and middle income earners from 2018-19. 10 million Australians will be eligible for this, and 4.4 million Australians will receive the full benefit in 2018-19.
- The top threshold of the 32.5% tax bracket will be increased from 87,000 to 90,000 from 1 July 2018, providing a tax cut of $135 per annum to 3 million Australians.
- The Government will extend the existing $20,000 instant asset write-off for businesses with aggregated annual turnover of less than $10 million for a further 12 months to 30 June 2019. This is estimated to cost $350 million over the forward estimates.
- The Government remains committed to its Ten Year Enterprise Tax Plan to reduce the company tax rate to 25% over ten years for all businesses.
- The Government will soon release a discussions paper that will explore options for taxing digital businesses in Australia.
- The Government has adopted a policy that the total tax collection shall not exceed 23.9% of GDP.
- The Government is providing $318.5 million over four years to implement new strategies to combat the Black Economy, with an estimated gain to revenue collected of $3 billion over the forward estimates. The Government will also introducing an economy-wide cash payment limit of $10,000 from 1 July 2019.