

AUSVEG 2018-19 Federal Budget Summary

Short analysis

On Tuesday 8 May 2018, the government delivered the 2018-19 Federal Budget. There were a number of measures that were announced that have implications for the Australian vegetable industry and its members, including in the areas of **biosecurity, export development** and **labour**.

Biosecurity was a major area of investment outlined in the Budget, with a total of \$121.6 million was allocated to increased investment for biosecurity-related activities. This is good news to just for the vegetable and potato industries but for the wider agriculture industry as it is evidence that the government is recognising the ever-growing threat from foreign pests and diseases and the need for maintaining strong and safe borders.

Export development was also a major focus for the Budget, with funding for additional Agriculture Counsellors to represent Australia in emerging export markets and work to improve market access. These counsellors are a valuable resource for expanding Australia's fresh vegetable exports, with existing counsellors in markets such as Malaysia, Thailand and the Middle East forming valuable networks in negotiating market access issues and dealing with technical barriers to trade.

The government has also committed funding to improving the **collection and analysis of agricultural labour force data**. The information will be used to better understand the data behind the labour force in Australian agriculture and will help industry form future policies aimed at maximising the harvest of agricultural produce by addressing labour shortages.

There were also a number of infrastructure initiatives that were announced that will have positive benefits for growers and their communities, including the Roads of Strategic Importance initiative and additional funding to many state and territory infrastructure projects.

We were pleased to see these important areas receive funding in the Federal Budget. These issues affect vegetable and potato growers and their inclusion demonstrates the government's commitment to helping our industry remain productive and profitable. Below is a more detailed breakdown of the budget measures that affect our industry.

If you have any questions please do not hesitate to contact AUSVEG on 03 9882 0277 or via email at info@ausveg.com.au.

Biosecurity, pests, weeds and agrichemical

Enhancing Australia's Biosecurity System

A total of \$121.6 million was allocated to increased investment for biosecurity-related services and activities in the 2018-19 Federal Budget, including:

- \$86.8 million funding over four years to:
 - develop national action plans for dealing with priority pests and diseases;
 - increase the Commonwealth's response capacity following pest and disease incursions;
 - provide greater assurance and verification of biosecurity import conditions; and
 - trial innovative technologies to achieve efficiencies in the biosecurity clearance of freight and passengers.
- an additional \$6.6 million in 2019-20 to invest in research and development, national coordination and key infrastructure to manage the impacts of established pest animals and weeds.
- an additional \$14.8 million over five years from 2017-18 for the cost of biosecurity clearances to address estimated passenger growth at all international air and sea ports.

Tasmanian Fruit Fly Outbreak Response

The Government will provide \$20.0 million in 2017-18 to the Tasmanian Government to assist with the management of the fruit fly outbreak in northern Tasmania.

Improved access to Agricultural and Veterinary Chemicals

The Government will provide \$6.3 million over two years from 2018-19 to support farmers, increase productivity and grow foods for expanding export markets by improving access to agricultural and veterinary chemicals and extending the *Improved Access to Agricultural and Veterinary Chemicals* program.

This measure will build on the existing program by expanding the collaborative arrangements between grower groups, chemical manufacturers and rural research and development corporations.

APVMA – ICT transformation

The Government will provide \$10.1 million over three years from 2018-19 to the Australian Pesticides and Veterinary Medicines Authority (APVMA) to support its ICT systems and digitise its most important and frequently used paper files.

Exports

Growing Australian agricultural exports

The Government will provide \$51.3 million over four years from 2018-19 (and \$15.7 million ongoing), to boost growth in Australia's agriculture and food exports to secure Australia's position as a world leading agriculture exporter and support agriculture and export jobs. Activities funded under the program include:

- maintaining the existing, and expanding the network of, overseas agricultural trade counsellors, including in the United Kingdom, Mexico, Japan, India, Chile and Russia;
- increasing market access analysis and assessments; and
- identifying linkages between commercial quality assurance and food safety regulatory systems to minimise impacts on industry and to gain, maintain and improve market access.

Package Assisting Small Exporters – extension

The Government will provide \$0.4 million over five years from 2017-18 to extend the *Package Assisting Small Exporters* (PASE) program. The funding will be used to continue to provide grants to small exporters to support access to international markets.

Labour

Seasonal Agricultural Labour Demand and Supply

The Government will provide \$4.7 million over four years from 2018-19 (and \$1.0 million ongoing from 2022-23) to improve the collection and analysis of agricultural labour force data to better inform and target policy responses. The information will be used to help address the impediments to, and better pursue opportunities for, Australian farm businesses to access labour and to inform future policy design aimed at maximising the harvest of agricultural produce by addressing labour shortages.

Education and training

Investment in Regional University Campuses – additional study places

The Government will provide \$123.6 million over five years from 2017-18 to the University of the Sunshine Coast, the University of Tasmania and Southern Cross University for additional Commonwealth-supported places. This funding will complement previous infrastructure

funding provided to these universities to support investment in regional campuses, and will support:

- an additional 1,200 bachelor places in 2020, growing to 3,600 ongoing places in 2022, for the University of the Sunshine Coast's Moreton Bay campus;
- an additional 500 sub-bachelor places in 2018, and 1,000 ongoing sub-bachelor places from 2019, for the University of Tasmania's Burnie and Launceston campuses; and
- an additional 105 bachelor places in 2019 and 210 bachelor places in 2020, growing to 315 ongoing bachelor places from 2021, for Southern Cross University's Allied Health Building in Coffs Harbour.

Skilling Australians Fund

The Government will provide \$250.0 million in 2017-18 to fund a range of projects under the *Skilling Australians Fund* (the Fund) which provides support for apprenticeships and traineeships. The projects will support growth in trade and non-trade apprenticeships and traineeships in target areas.

Response to the Independent Review into Regional, Rural and Remote Education – additional support for students

The Government will provide \$96.1 million over four years from 2018-19 to implement the Government's response to the *Independent Review into Regional, Rural and Remote Education*. The funding will support young people from regional, rural and remote communities to transition to further education, training and employment.

Infrastructure

Building Better Regions

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, supporting demand driven projects that ensure the benefits of Government investment can be multiplied across the tourism sector in the regions.

This investment increases the funding available to the Building Better Regions Fund to \$641.6 million.

National Research Infrastructure Investment Plan

The Government will provide an additional \$1.9 billion over 12 years from 2017-18 (\$393.3 million over five years) to implement the *Research Infrastructure Investment Plan* (the Plan), informed by the *2016 National Research Infrastructure Roadmap*. Implementing the Plan will involve partially funding specific national research infrastructure projects, with the Government's contribution subject to co-investment being secured by project proponents.

Projects will be delivered through an expansion of the existing *National Collaborative Research Infrastructure Strategy* (NCRIS) and will bring the Government's investment in national research infrastructure projects under the Plan to \$4.1 billion over 12 years.

Roads of Strategic Importance

The Government will provide \$3.5 billion to establish the *Roads of Strategic Importance* initiative to support the upgrade of key regional road corridors in Australia, with initial investments to include:

- \$1.5 billion for Northern Australia (Queensland, Northern Territory and Western Australia);
- \$400.0 million for Tasmanian road corridors, including the Bass Highway;
- \$220.0 million for the Bindoon Bypass in Western Australia; and
- \$100.0 million for further upgrades of the Barton Highway corridor linking the Australian Capital Territory and New South Wales.

State by state breakdown

NSW

The Government will provide \$1.5 billion for priority regional and urban infrastructure in New South Wales, including:

- \$971.0 million for the Coffs Harbour Bypass on the Pacific Highway;
- \$400.0 million for the Port Botany Rail Line Duplication; and
- \$155.0 million for a new Nowra Bridge over the Shoalhaven River.

NT

The Government will provide \$280.0 million for priority regional road projects in the Northern Territory, including:

- \$180.0 million for the Central Arnhem Road Upgrade; and
- \$100.0 million for the Buntine Highway Upgrade.

This is in addition to funding of \$1.5 billion provided for road infrastructure in Northern Australia, including the Northern Territory, under the measure titled *Infrastructure Investment Programme — Roads of Strategic Importance*.

Qld

The Government will provide \$5.2 billion for priority regional and urban infrastructure in Queensland, including:

- \$3.3 billion for additional Bruce Highway upgrades, including:
 - Pine River to Caloundra (\$880.0 million); and
 - Cooroy to Curra Section D (\$800.0 million);
- \$1.0 billion for the M1 Pacific Motorway (Eight Mile Plains to Daisy Hill and Varsity Lakes to Tugun);
- \$390.0 million for the Beerburrum to Nambour Rail Upgrade;
- \$300.0 million for the Brisbane Metro;
- \$170.0 million for the Amberley Interchange, Cunningham Highway; and
- \$64.2 million for new upgrade projects on the Warrego Highway, including Dalby to Miles, Oakey to Miles and the Carroll Creek culvert replacement.

Provision for this funding has already been included in the forward estimates and is in addition to funding of \$1.5 billion provided for road infrastructure in northern Australia, including Queensland, under the measure titled *Infrastructure Investment Programme — Roads of Strategic Importance*.

SA

The Government will provide \$1.8 billion for priority regional and urban infrastructure in South Australia, including:

- \$1.4 billion for Adelaide North-South Corridor future priorities, including \$177.0 million for the Regency Road to Pym Street section;
- \$220.0 million for the Gawler Rail Line electrification; and
- \$160.0 million for the Joy Baluch Bridge duplication.

Tas

The Government will provide \$520.8 million for priority regional infrastructure in Tasmania, including:

- \$461.0 million for the Bridgewater Bridge Replacement; and
- \$59.8 million as a co-contribution towards Tranche Two of the Tasmanian Freight Rail Revitalisation project.

This is in addition to funding of \$400.0 million provided for road infrastructure in Tasmania, including the Bass Highway, under the measure titled *Infrastructure Investment Programme — Roads of Strategic Importance*.

Vic

The Government will provide \$7.8 billion for priority regional and urban infrastructure in Victoria, including:

- 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;
- \$1.75 billion for the North East Link;
- \$475.0 million for planning and pre-construction of a rail connection to the Monash employment centre in Melbourne's South-East;
- \$225.0 million for the Frankston to Baxter Line electrification upgrade;
- \$140.0 million for additional urban priority road projects;
- \$132.0 million for the Princes Highway duplication between Traralgon and Sale; and
- \$50.0 million to support the duplication of the Geelong Rail Line between South Geelong and Wearn Ponds.

Avalon Airport

The Government will provide \$20.0 million in 2018-19 to the Avalon Airport Pty Ltd to support the establishment of international services at the Avalon Airport.

The new infrastructure at Avalon Airport will initially accommodate the arrival and departure of more than 400,000 international passengers annually. Direct international services from Avalon will benefit the tourism economy of the region, and create opportunities for a range of new exports including fresh produce, as well as acting as a catalyst to other prospective international carriers.

WA

The Government will provide \$3.2 billion for priority regional, urban and water infrastructure in Western Australia (WA), including a further GST top-up payment of \$188.9 million in 2017-18.

Funding will be provided for the following infrastructure projects which will boost WA's local economy and create thousands of jobs during construction:

- an additional \$1.1 billion for Metronet projects, including the Morley to Ellenbrook line, the Armadale line, Midland Station and business case funding for Lakelands Station;
- \$580.5 million for the Tonkin Highway;
- \$560.0 million for the Bunbury Outer Ring Road;
- \$144.0 million for the Roe Highway (Great Eastern Highway Bypass interchange);
- \$107.5 million for the Mitchell Freeway extension (Hester Avenue to Romeo Road);
- \$65.0 million for the Stephenson Avenue extension;
- \$46.5 million for the Leach Highway (Welshpool Road interchange);
- up to \$140.0 million in grant funding and a concessional loan of up to \$50.0 million towards the Myalup-Wellington Dam Project to improve the quality of water stored in and released from the dam for agriculture;
- \$220.0 million for the Bindoon Bypass (funding provided under the measure titled Infrastructure Investment Programme — Roads of Strategic Importance; and
- \$10.0 million for a business case for the Orange Route (funding provided under the measure titled Infrastructure Investment Programme — Major Project Business Case Fund).

The GST top-up payment of \$188.9 million in 2017-18 would effectively lift WA's share of the GST in 2018-19 to 50 cents in the dollar to support the following hospital projects:

- \$158.0 million for the Joondalup Hospital Expansion;
- \$20.3 million for the Royal Perth Hospital refurbishment; and
- \$10.6 million for the Osborne Park Hospital expansion.

Home Affairs

Anti-Slavery Unit

The Government will provide \$3.6 million over four years from 2018-19 to establish an Anti-Slavery Unit, within the Department of Home Affairs, to manage the implementation of a Modern Slavery Reporting Requirement.

There is a risk that modern slavery is occurring in the supply chains and operations of businesses operating in Australia. This measure will support businesses to mitigate this risk and strengthen Australia's overall ability to combat modern slavery, including strengthening criminal justice outcomes and enhancing victim support.

Natural Disaster Recovery Funding Arrangements – reforms

The Government will introduce reforms to increase the flexibility and responsiveness of the Natural Disaster Relief and Recovery Arrangements (NDRRA) that provide assistance in response to natural disasters. These changes will be implemented after 1 July 2018.

An upfront funding model will be introduced for the Category B arrangements that provide assistance to the States, Territories and local governments for the restoration of public assets. This will result in the earlier provision of funding, based on estimated future expenditure, rather than the current reimbursement model. The revised arrangements will also provide greater flexibility for mitigation and betterment expenditure.

In addition, under the Category A arrangements the States and Territories will be able to immediately engage dedicated Community Recovery Officers who alleviate personal hardship arising directly from a natural disaster by enabling faster support for individuals, families and communities receiving emergency assistance.

These reforms are not expected to significantly increase overall outlays for natural disasters, but instead provide more timely access to support.

Technology

Better GPS for Regional Australia

The Government will provide \$160.9 million over four years from 2018-19 (and \$39.2 million in ongoing funding from 2022-23) to improve the accuracy, integrity and availability of satellite navigation. This measure will deliver comprehensive positioning, navigation and timing (PNT) data to an accuracy of 10 centimetres across all of Australia and its maritime zones, including to areas without mobile phone coverage.

This measure will deliver benefits to regional Australians including through reduced cost and increased farming yields through precision farming techniques, navigation on fishing trawlers, and increasing the ease and safety of maritime navigation, especially in congested waters.

Better GPS to support Australian business

The Government will provide \$64.0 million over four years from 2018-19 (and \$11.7 million in ongoing funding from 2022-23) to deliver comprehensive positioning, navigation and timing (PNT) data with an accuracy of three to five centimetres in near real-time to regional and metropolitan areas with mobile phone coverage.

This measure will reduce barriers to accessing and using PNT data, allowing Australian businesses to maintain their competitive advantage in industries such as agriculture and resources, and in emerging sectors such as automated transport.

Building Australia's Artificial Intelligence Capability to Support Business

The Government will provide \$29.9 million over four years from 2018-19 to strengthen Australia's capability in Artificial Intelligence (AI) and Machine Learning (ML), supporting economic growth and the productivity of Australian businesses.

This measure supports business innovation in sectors such as digital health, digital agriculture, energy, mining and cybersecurity, through:

- the provision of additional funding to the Cooperative Research Centres Program to support projects from AI and ML capabilities;
- funding for AI and ML-focused PhD scholarships and school-related learning to address skill gaps; and
- the development of a Technology Roadmap, Standards Framework and a national AI Ethics Framework to identify global opportunities and guide future investments.

Small and Medium Enterprises Export Hubs Program

The Government will provide \$20.0 million over four years from 2018-19 to establish a Small and Medium Enterprises Export Hubs program. The Hubs will enable cooperation and boost export capability of local and regional businesses, through support to develop collective brands, leveraging local infrastructure to scale business operations, and positioning regional businesses to participate in global supply chains.

Black Economy Taskforce

New and Enhanced ATO Enforcement Against the Black Economy

The Government will provide \$318.5 million over four years to implement new strategies to combat the black economy. The ATO will implement a new and enhanced enforcement strategy that brings together new mobile strike teams and an increased audit presence, a Black Economy Hotline that will allow for the community to report black economy and illegal phoenix activities, improved government data analytics, and educational activities. This strategy will support the new multi-agency Black Economy Standing Taskforce to ensure a more coordinated approach to combatting the black economy behaviours through improved government data analytics and information sharing between enforcement agencies.

Introduction of an economy-wide cash payment limit

The Government will introduce a limit of \$10,000 for cash payments made to businesses for goods and services from 1 July 2019. As part of implementation the Government will consult on the detail of this measure.

Currently, large undocumented cash payments can be used to avoid tax or to launder money from criminal activity. This measure will require transactions over a threshold to be made through an electronic payment system or cheque. Transactions with financial institutions or consumer to consumer non-business transactions will not be affected. This action was recommended by the Black Economy Taskforce in order to tackle tax evasion and money laundering.

Consulting on a New Regulatory Framework for Australian Business Numbers

The Government will consult on and design a new regulatory framework for the Australian Business Numbers (ABN) system in 2018-19.

This measure implements a recommendation of the *Black Economy Taskforce — Final Report* that the ABN system be strengthened to provide improved confidence in the identity and legitimacy of Australian businesses.

Standing Taskforce

The Government will provide \$3.4 million to the Australian Taxation Office over four years from 2018-19 to lead a multi-agency Black Economy Standing Taskforce. The Taskforce will facilitate a cross-agency approach to combatting the black economy. This will ensure the effective sharing of information, knowledge and experience across taskforce agencies, including in relation to serious and complex cases, consistent with the Government's response to the recommendations of the *Black Economy Taskforce — Final Report*.

Implementation Team

The Government will provide \$12.3 million over five years from 2018-19 (with \$1.7 million in 2022-23) to the Department of the Treasury to manage implementation of the whole-of-government response to the Black Economy Taskforce Report (the Report). This includes undertaking stakeholder consultation and coordinating policy responses to the Report's recommendations, over a five year implementation period.

Removing Tax Deductibility of Non-compliant Payments

Businesses will no longer be able to claim deductions for payments to their employees such as wages where they have not withheld any amount of PAYG from these payments, despite the PAYG withholding requirements applying. The Government will also remove deductions for payments made by businesses to contractors where the contractor does not provide an ABN and the business does not withhold any amount of PAYG despite the withholding requirements applying.

Small Business

Further Extending the Immediate Deductibility Threshold

The Government will extend the 2015-16 Budget measure *Growing Jobs and Small Business — expanding accelerated depreciation for small businesses* by a further 12 months to 30 June 2019 for businesses with aggregated annual turnover less than \$10 million. This initiative is also known as the \$20,000 instant asset write-off.

Small businesses will be able to immediately deduct purchases of eligible assets costing less than \$20,000 first used or installed ready for use by 30 June 2019. Only a few assets are not eligible (such as horticultural plants and in-house software).

Assets valued at \$20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool (the pool) and depreciated at 15 per cent in the first income year and 30 per cent each income year thereafter. The pool can also be immediately deducted if the balance is less than \$20,000 over this period (including existing pools).

The current 'lock out' laws for the simplified depreciation rules (these prevent small businesses from re-entering the simplified depreciation regime for five years if they opt out) will continue to be suspended until 30 June 2019.

Tax

Personal Income Tax Plan

The Government will introduce a seven-year Personal Income Tax Plan.

1. Provide permanent tax relief to low and middle income earners.

The Government will introduce the Low and Middle Income Tax Offset, a non-refundable tax offset of up to \$530 per annum to Australian resident low and middle income taxpayers. The offset will be available for the 2018-19, 2019-20, 2020-21 and 2021-22 income years and will be received as a lump sum on assessment after an individual lodges their tax return.

The Low and Middle Income Tax Offset will provide a benefit of up to \$200 for taxpayers with taxable income of \$37,000 or less. Between \$37,000 and \$48,000, the value of the offset will increase at a rate of three cents per dollar to the maximum benefit of \$530. Taxpayers with taxable incomes from \$48,000 to \$90,000 will be eligible for the maximum benefit of \$530. From \$90,001 to \$125,333, the offset will phase out at a rate of 1.5 cents per dollar. The benefit of the Low and Middle Income Tax Offset is in addition to the existing Low Income Tax Offset.

2. Provide relief from bracket creep by increasing the threshold of the 32.5 per cent personal income tax bracket.

From 1 July 2018, the Government will increase the top threshold of the 32.5 per cent personal income tax bracket from \$87,000 to \$90,000.

From 1 July 2022, the Government will increase the Low Income Tax Offset from \$445 to \$645 and extend the 19 per cent personal income tax bracket from \$37,000 to \$41,000. The increased Low Income Tax Offset will be withdrawn at a rate of 6.5 cents per dollar between incomes of \$37,000 and \$41,000, and at a rate of 1.5 cents per dollar between incomes of \$41,000 and \$66,667.

From 1 July 2022, the Government will further increase the top threshold of the 32.5 per cent personal income tax bracket from \$90,000 to \$120,000.

3. Simplify and flatten the system by removing the 37 per cent tax personal income tax bracket.

In the third step of the Personal Income Tax Plan the Government will simplify and flatten the personal tax system by removing the 37 per cent tax bracket entirely.

From 1 July 2024, the Government will extend the top threshold of the 32.5 per cent personal income tax bracket from \$120,000 to \$200,000, to recognise inflation and wage growth impacts. Taxpayers will pay the top marginal tax rate of 45 per cent from taxable incomes exceeding \$200,000 and the 32.5 per cent tax bracket will apply to taxable incomes of \$41,001 to \$200,000.

This measure has a cost to revenue of \$13.4 billion over the forward estimates period.

Reforms to Combat Illegal Phoenixing

The Government will reform the corporations and tax laws and provide the regulators with additional tools to assist them to deter and disrupt illegal phoenix activity. The package includes reforms to:

- introduce new phoenix offences to target those who conduct or facilitate illegal phoenixing;
- prevent directors improperly backdating resignations to avoid liability or prosecution;
- limit the ability of directors to resign when this would leave the company with no directors;
- restrict the ability of related creditors to vote on the appointment, removal or replacement of an external administrator;
- extend the Director Penalty Regime to GST, luxury car tax and wine equalisation tax, making directors personally liable for the company's debts; and
- expand the ATO's power to retain refunds where there are outstanding tax lodgements.

The reforms to combat illegal phoenixing complement and build on the work of the Government's Phoenix, Serious Financial Crime and Black Economy taskforces, and other announced reforms such as a Director Identification Number, a combined black economy and illegal phoenixing hotline, and reforms to address corporate misuse of the Fair Entitlements Guarantee and to tackle non-payment of the Superannuation Guarantee Charge.