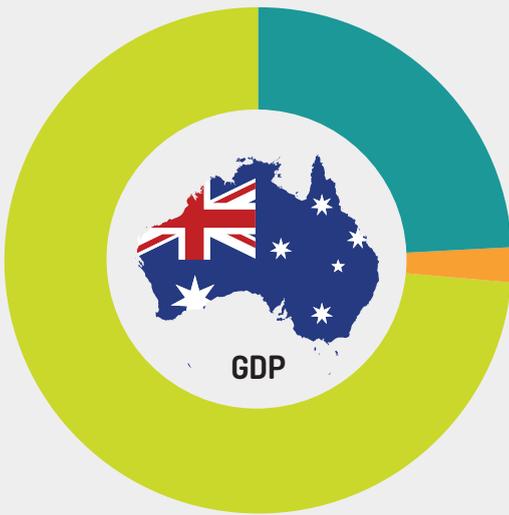


HOW DOES THE BUDGET AFFECT US?

The 2016 Australian Federal Budget has been launched at a time of significant uncertainty. The Australian economy is currently characterised by a modest growth rate of 2.5%, falling business and consumer confidence, a cooling housing market and an increasing government deficit. Against all of this, levels of trust in government and politicians in Australia are at the lowest level since 1993. Only 5% of Australians trust in government. These are capricious times for delivering a budget that will launch an election. Among many announcements this year, the Treasurer particularly focused on “fixing” the tax system and “jobs and growth”. NATSEM has independently modelled and analysed the impacts of some of the key measures in this booklet. How does the budget affect us?

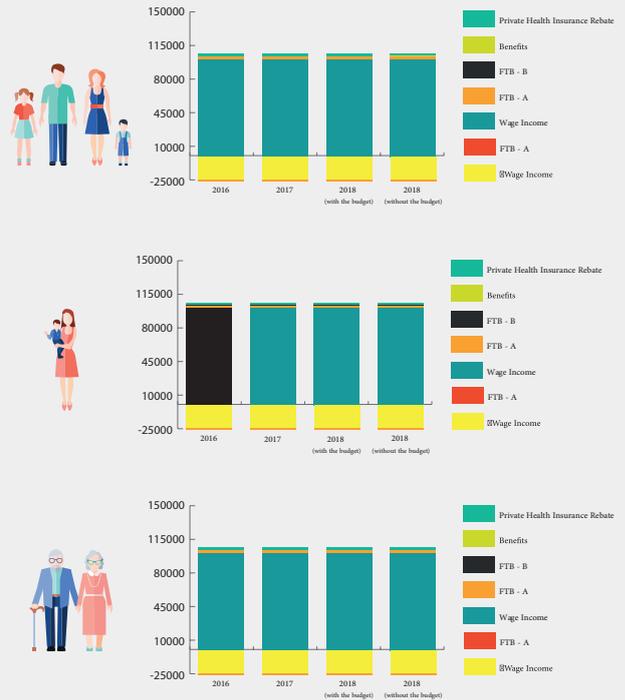
COST OF THE BUDGET



- Revenue: \$416.9 billion (24.2% of the GDP) an increase of 5.2% compared with 2015-16
- Deficit: \$37.1 billion (2.2% of the GDP) raising the total debt to \$326 billion (18.9% of the GDP)

In the upcoming financial year (2016-17), the Commonwealth Government is expected to collect a total revenue of nearly \$417 billion, which is around 24.2% of the size of the economy (GDP) and is an increase of 5.2 per cent from 2015-16's total revenue. This is equivalent to around \$26,000, or nearly 17 weeks of full-time work with an average wage for everyone in the working age population (age 15 and 64). On the expenditure side, the Commonwealth government is expected to spend \$451 billion

TYPICAL HOUSEHOLD



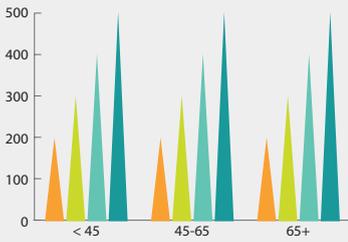
If we look at the age and gender distribution of change, the proposed measure is more beneficial to the middle age male workers as their income level has reached the threshold for the tax cut threshold. Given the lower average income level, females are likely to benefit less from the changes as shown in the figure on the right side.

SOCIAL MEDIA TREND



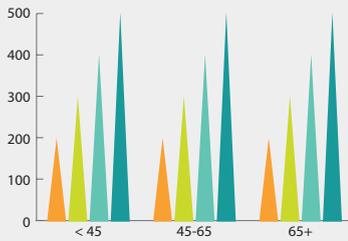
Source: Twitter.com. The data was collected by NATSEM. Data bars are showing the number of tweets at 10 minutes interval

MEDICARE LEVY AND PRIVATE HEALTH INSURANCE REBATE



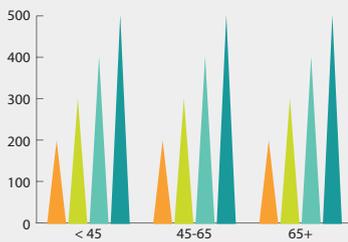
2019
2018
2017
2016

Minimum wage



2019
2018
2017
2016

Average wage



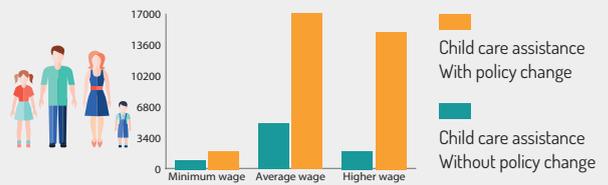
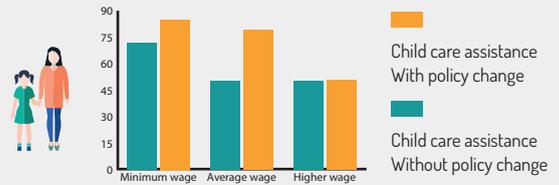
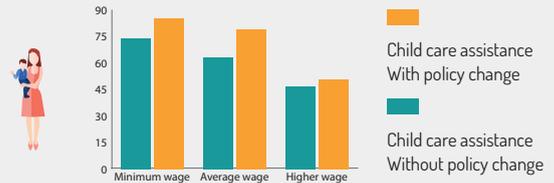
2019
2018
2017
2016

Higher wage

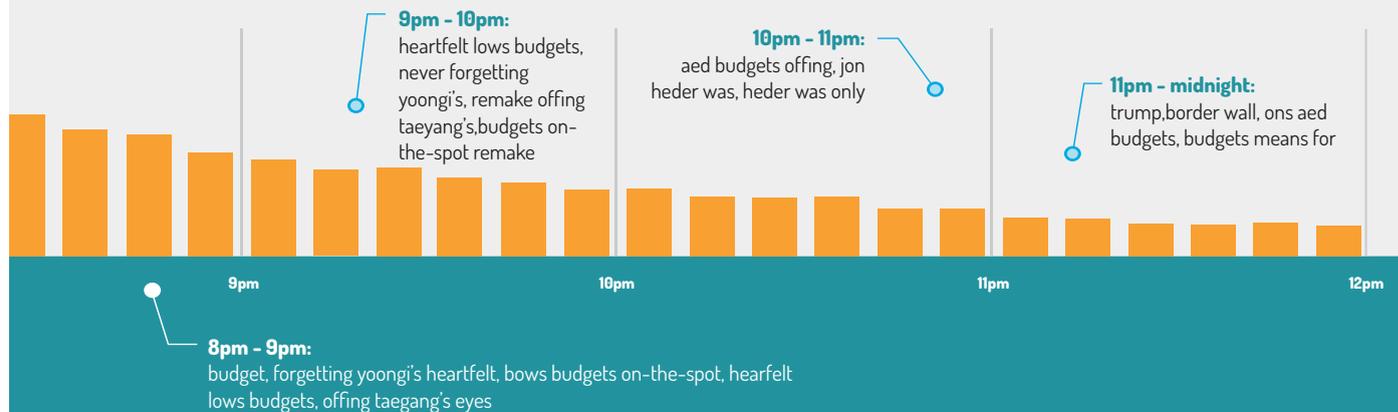
The concessional contribution limit has reduced from \$30,000 to \$25,000 and the income limit for concessional superannuation contributions has reduced from \$300k to \$250k.

While there are only 1-2% of general population makes more than \$25k pre-tax contribution to superannuation fund in 2016, NATSEM estimates the measure will affect around 9% of the workers between age 55 to 70 due to the increased contribution via salary sacrifice.

CHILDCARE



A modest income tax cut is given to anyone with a taxable earning above \$80,000, with a maximum of \$315 saving per annum. On the lower income spectrum, the Medicare levy exemption threshold is increased, which effectively reduces the tax for some of the lower income groups. NATSEM estimates the measures above jointly will affect less than 1 in 3 families in terms of their disposable income and the average change will be around 0.1%.



ABOUT THE MODEL

The model used for estimating the impact of the 2016/17 budget reforms is a microsimulation model called **STINMOD+**. Microsimulation models apply the Commonwealth Government tax and transfer rules to data at the individual and household levels. This means complex government tax and transfer policies can be modelled, incorporating complex interactions between different policies. **STINMOD+** is the successor of the original **STINMOD** model, widely used since the mid 1990's by the Commonwealth government agencies. The new model **STINMOD+**, has incorporated many new modelling techniques and has improved its methodology, efficiency and the maintainability of the original **STINMOD** model.

Data used in this work is derived from multiple sources, including ABS Survey of Income and Housing, Household Income and Labour Dynamics of Australia, ATO Taxation Statistics – Individual sample files, ABS Labour Force Survey and other statistics published by ABS. All numbers presented are preliminary 2016 estimates, assuming the increases in income and wealth are similar to recent years and may be subject to revisions. These estimates may be different from the actual characteristics of the population because of sampling and non-sampling errors in the microdata, and because of the assumptions underlying the modelling techniques.. The microdata used does not contain any information that enables identification of the individuals or families to which they refer.

STATEMENT OF INDEPENDENCE

NATSEM has not received any funding for the modelling of the 2016/17 budget – all modelling conducted by **NATSEM** for the budget 2016 has been funded internally by the University of Canberra as a service to the Australian community. **NATSEM** has no affiliation with any political party.

For more informatio please visit our website at <http://ausbudget.org>

For general enquiries, please contact



(02) 6201 2780



natsem@canberra.edu.au



www.natsem.canberra.edu.au

For more information about **STINMOD+**, please contact Jinjing Li at



(02) 6201 2776



jinjing.li@canberra.edu.au



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