



21 March 2019

Unlegislated measures carried forward in the budget estimates – March 2019

As part of its role of enhancing public understanding of the budget, the Parliamentary Budget Office (PBO) is resuming its regular updates of the impact of unlegislated policies (usually referred to as ‘measures’) on the budget. Henceforth, the PBO will publish updates in the first quarter of each calendar year, with a second publication in the third quarter if there are significant changes since the previous publication.

This publication provides updated estimates of the medium term impact on the Commonwealth budget of significant measures that have been announced but are yet to be implemented, where the enabling legislation has not passed Parliament after more than a year or where the announced start date has passed.

This publication includes any unlegislated measure that:

- would have increased or decreased the fiscal balance by at least \$100 million in any year of the forward estimates period when it was announced, and either
 - appeared in an economic and fiscal outlook statement more than one year ago, or
 - appeared in an economic and fiscal outlook statement within the past year but with a start date which has now passed.

This is similar to the PBO’s previous approach except for the financial threshold for inclusion which has been increased to enable a focus on unlegislated measures that would have a material budget impact. The PBO uses information from the Department of Finance on unlegislated measures, combined with the above tests, to determine which measures are included in this publication. For measures that have multiple components, the tests have been applied to the combined impact of the unlegislated components.

The updated estimates take into account: changes to data and economic parameters since the measures were published; the impact of other Government policy decisions that would affect the estimates; and changes in implementation timing due to legislative delays, where relevant. Further general information about PBO policy costings, including more discussion of why estimated financial impacts may change over time, is available on the Frequently Asked Questions section of the PBO website.¹

¹https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Frequently_asked_questions

For the purposes of this update, the PBO has presented policy announcements included in economic and fiscal outlooks prior to the 2017–18 Mid-Year Economic and Fiscal Outlook (MYEFO) where the required legislation has not been passed. New policy decisions announced after the 2017–18 MYEFO are also included if the start date of the measure has passed.

The updated estimates of the budget impacts of unlegislated measures are provided on a fiscal balance basis at Table 1 and on an underlying cash balance basis at Table 2. For information, the original published fiscal balance impacts of the measures are provided at Table 3.

The PBO welcomes feedback on its publications. Please send any suggestions for improvement or other comments to feedback@pbo.gov.au.

Unlegislated measures carried forward in the budget estimates—March 2019

Table 1: Estimated impacts of unlegislated measures, fiscal balance basis^(a)

Fiscal balance impact (\$ million)	2018–19	2019–20	2020–21	2021–22	Total to 2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	Total to 2028–29	Assumed start date
Revenue measures														
1. Better targeting the research and development tax incentive ^(b)	170	400	450	570	1,590	580	610	640	670	710	740	770	6,330	1 July 2018 ^(c)
Expense measures														
2. Indigenous Recognition Referendum ^(d)	-	-	-190	-	-190	-	-	-	-	-	-	-	-190	2020–21
Impact of unlegislated measures on the fiscal balance^(e)	170	400	260	570	1,400	580	610	640	670	710	740	770	6,140	
Impact of unlegislated measures on the fiscal balance (% of GDP)	..	..	..	..		..	..	..	..	..	..	..

Source: Commonwealth budget papers, Department of Finance unlegislated measures list, Department of Treasury nominal GDP forecast and Parliamentary Budget Office analysis.

- (a) Estimates have been prepared with the latest information available to the PBO. Updated estimates take into account new data and economic parameters since the measure was published, the impact of changes in Government policies, and revisions to implementation timing, where relevant. A positive number indicates an increase in revenue or a decrease in expenses. A negative number indicates a decrease in revenue or an increase in expenses.
- (b) The gain to the Budget from this measure only includes the components which require legislation. This gain has reduced relative to the 2018–19 Budget due to lower research and development activity in the latest tax data from 2015–16 and 2016–17 and the recent 2018–19 MYEFO measures *Company Tax – not proceeding with tax reductions for large companies* and *Small Business Package – lower taxes for small and medium businesses*.
- (c) At the time of this publication, this measure could be legislated with its existing start date since companies are assessed on research and development when they lodge their tax returns which would be after 30 June 2019 at the earliest.
- (d) The PBO has assumed the referendum would be conducted in 2020–21, separate to a general election process. The cost of undertaking a referendum in 2020–21 was estimated by growing the original estimates published in the 2016 Pre-Election Economic and Fiscal Outlook by the Consumer Price Index and growth in the Australian population.
- (e) Totals may not add due to rounding.
- indicates nil.
- .. indicates not zero but rounded to zero.

Table 2: Estimated impacts of unlegislated measures, underlying cash balance basis^(a)

Underlying cash balance impact (\$ million)	2018–19	2019–20	2020–21	2021–22	Total to 2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	Total to 2028–29	Assumed start date
Revenue measures														
1. Better targeting the research and development tax incentive ^(b)	-	370	310	460	1,130	570	590	620	660	690	720	740	5,720	1 July 2018 ^(c)
Expense measures														
2. Indigenous Recognition Referendum ^(d)	-	-	-190	-	-190	-	-	-	-	-	-	-	-190	2020–21
Impact of unlegislated measures on the underlying cash balance^(e)	-	370	120	460	940	570	590	620	660	690	720	740	5,530	
Impact of unlegislated measures on the underlying cash balance (% of GDP)	-	

Source: Commonwealth budget papers, Department of Finance unlegislated measures list, Department of Treasury nominal GDP forecast and Parliamentary Budget Office analysis.

- (a) Estimates have been prepared with the latest information available to the PBO. Updated estimates take into account new data and economic parameters since the measure was published, the impact of changes in Government policies, and revisions to implementation timing, where relevant. A positive number indicates an increase in receipts or a decrease in payments. A negative number indicates a decrease in receipts or an increase in payments.
- (b) The gain to the Budget from this measure only includes the components which require legislation. This gain has reduced relative to the 2018–19 Budget due to lower research and development activity in the latest tax data from 2015–16 and 2016–17 and the recent 2018–19 MYEFO measures *Company Tax – not proceeding with tax reductions for large companies* and *Small Business Package – lower taxes for small and medium businesses*.
- (c) At the time of this publication, this measure could be legislated with its existing start date since companies are assessed on research and development when they lodge their tax returns which would be after 30 June 2019 at the earliest.
- (d) The PBO has assumed the referendum would be conducted in 2020–21, separate to a general election process. The cost of undertaking a referendum in 2020–21 was estimated by growing the original estimates published in the 2016 Pre-Election Economic and Fiscal Outlook by the Consumer Price Index and growth in the Australian population.
- (e) Totals may not add due to rounding.
- indicates nil.
- .. indicates not zero but rounded to zero.

Table 3: Memo item: Financial implications of unlegislated measures as originally published, fiscal balance basis^(a)

Fiscal balance impact (\$ million)	2017–18	2018–19	2019–20	2020–21	2021–22	Total to 2021–22	Original start date	Original measure
Revenue measures								
1. Better targeting the research and development tax incentive ^(b)	-	314	641	764	719	2,438	1 July 2018	2018–19 Budget Paper 2, p. 21–22
Expense measures								
2. Indigenous Recognition Referendum	-160	-	-	-	-	-160	2017–18	2016 Pre-election Economic and Fiscal Outlook, p. 36
Impact of unlegislated measures on the fiscal balance^(c)	-160	314	641	764	719	2,278		

Source: Commonwealth budget papers, Department of Finance unlegislated measures list and Parliamentary Budget Office analysis.

- (a) Estimates provide the fiscal balance impact of the original measure. A positive number indicates an increase in revenue or a decrease in expenses. A negative number indicates a decrease in revenue or an increase in expenses.
- (b) The *Treasury Laws Amendment (Making Sure Multinationals Pay Their Fair Share of Tax in Australia and Other Measures) Bill 2018* before Parliament implements most of the components of the 2018–19 Budget measure. Other components of the 2018–19 Budget measure that complement these legislative changes include additional resourcing for additional compliance and legal activity.
- (c) Totals may not add due to rounding.
- indicates nil.