

# Towards the Federal Election: The Labor Party responds

Federal Budget 2019-20

April 2019



# Foreword

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Here we have the second half of the Federal Election puzzle – a fiscal manifesto from the Labor Party on how they would balance the books if given the chance to govern (subject to a thorough analysis of the balance sheet).

There were no surprises in the Liberal Party's Budget on Tuesday night – and there are no real surprises in the Labor Reply, with healthcare (in particular cancer patients), education and renewable energy the main winners. Additional spending announcements in the run up to the campaign aside, now we have a good idea of what is on offer from each Party should they win at the polls in May.

The areas of investment from both sides are similar – health & aged care, education, energy and personal tax cuts are both popular and necessary social investments. But the proposed application of funds is vastly different.

Savings from the removal of the franking benefits, changes to capital gains tax and negative gearing will help to fund generous packages to support cancer patients, improve access to preschool for children from one year to two years, and significantly increase funding for TAFE and apprenticeships.

The significant \$15 billion in funding for climate change and energy projects – as well as clear targets for renewable energy generation – provides a clear opportunity for our clients in this sector to invest. We're also interested to see more about Labor's national plan for affordable housing and how this might dovetail with the City Deals already underway or proposed around the nation.

While not mentioned during the Budget Reply, we're heartened to see a past commitment to R&D as an increased percentage of GDP – from 1.8% to 3% – and feel such support reflects the value our R&D intensive industries, such as life sciences, technology, and manufacturing, contributes to the economy.

The scene is now set. It is Australia's turn in May to endorse the Budget they most want for the country.



**Greg Keith**  
Chief Executive Officer  
Grant Thornton Australia

# Investments

## The winners



Healthcare



Education



Climate change and  
renewable energy

### Building a stronger economy and investment in jobs

Unsurprisingly there are many initiatives coming out of Labor to support workers and jobs – with a particular focus on reform and reporting. Significant investment in renewable energy is expected to create approximately 70,000 new jobs. A proposed review by the Fair Work Commission into a “living wage” is designed to help address the imbalance between rising living costs and slow wage growth.



Restore penalty rates – impacting up to 700,000 retail and hospitality workers – in the first 100 days



Businesses to report publicly on gender pay gap to support equal pay for equal work



Crack down on labour hire companies and sham contracting



Instruct the Fair Work Commission to determine what a “living wage” should be as opposed to a “minimum wage”



70,000

new jobs to support renewable energy targets

# Investments

## Backing small business

There is largely bipartisan support for small business.



**20%**

extra tax break for businesses that invest in productivity-boosting equipment above \$20,000



**25%**

supporting the tax rate reduction to 25% for businesses with turnover of up to \$50m by 2021-2022



Companies bidding for government contracts worth more than \$10 million required to look for local workers first



Access to Justice for small business policy aims to support small business in competition litigation

# INVESTMENTS

## Better healthcare

Labor's healthcare policies offer a mix of investment to help upgrade and improve access to our healthcare system as well as address rising out-of-pocket costs for health. A significant package of \$2.3 billion to support cancer patients – reducing some out-of-pocket costs to \$0 – was the highlight of the Budget Reply.



**\$2.8b**

in additional funds for public hospitals



**10,000**

increase Home Care Packages by two-thirds to almost 10,000



End the Medicare Freeze



**\$1.2b**

to improve the aged care workforce through a Workforce Compact



**2%**

cap on private health insurance premiums for the next two years



Establish a single gateway to all aged care services, to make them easier to navigate



**\$2.3b**

for the Medicare Cancer Plan



More funding for dementia in aged care



**\$170m**

for Medicare Heart Health checks



Lift the cap on the NDIS staff numbers



**\$50m**

for Type 1 Diabetes research for kids

# INVESTMENTS

## Access to education and training

In addition to policies around quality and universal childcare, and an additional \$14 billion for public schools, the Labor government has outlined a number of initiatives to encourage the uptake of public TAFE and apprenticeships.



**\$1b**

commitment to vocational education – two-thirds of funding will go to public TAFE



**150,000**

apprentices to receive training in the jobs of the future



**\$200m**

in TAFE upgrades in regional and outer-suburban Australia



**20,000**

older workers to receive support to retrain through an Advanced Adult Apprenticeship



**100,000**

TAFE students to have upfront fees waived



Reverse the freeze on Commonwealth grants to Universities



**20,000**

spots under the paid up-front TAFE program will be allocated to aged care workers under the NDIS



**200,000**

more university places



**1 in 10**

positions on infrastructure projects to be an apprenticeship



**\$14b**

extra for public schools



**10,000**

young Australians to receive support to do a pre-apprentice program to prepare them for work



**\$1.7m**

for universal preschool access for three and four year olds

# INVESTMENTS

## A renewable future

A key component of Labor's election policies include \$15 billion worth of measures to combat climate change and reinforce our energy network – including an ambitious emissions reduction target, 50% of electricity to come from renewables by 2030 and 50% of all new car sales to be electric by 2030.



**45%**

reduction in emissions target below the 2005 levels by 2030 and net zero by 2050



**50%**

of electricity generation coming from renewable energy sources by 2030



**\$10b**

investment towards the Clean Energy Finance Corporation (CEFC), supporting new generation and storage across the country



**\$1b**

from CEFC towards a National Hydrogen Plan



**\$100m**

Neighbourhood Renewables Program



**\$300m**

Strategic Industries Reserve Fund to support emission intensive industries find solutions to cut pollution and remain competitive



Deliver Australia's first Electric Vehicles Strategy



**50%**

of all new car sales to be electric vehicles by 2030



**\$2,000**

payment for families installing battery storage systems

# INVESTMENTS

## Investing in infrastructure

Labor's investment in infrastructure is focused around public transport to tackle congestion. In addition to commitments to specific projects, Labor has also set aside a \$10 billion fund to be administered by Infrastructure Australia which aims to support greater private investment in public projects. A national plan for affordable housing is offset by changes to capital gains tax and negative gearing.



### \$10b

infrastructure investment facility  
administered by Infrastructure  
Australia



### 250,000

affordable homes built under the 10  
year national plan

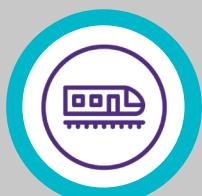


### \$1.5b

for the Gateway Motorway from  
Bracken Ridge to the Pine River –  
and the next stage of the Bruce  
Highway from the Northern Suburbs  
to Caboolture



Offering 15 year subsidies - \$8500  
per year – to investors who build new  
houses – conditional on them being  
rented at 20% below market rent



### \$850m

to build the Morley-Ellenbrook Line  
in Perth



Capital gains tax discount for all  
assets purchased after 1 January 2020  
for assets held longer than 12 months  
reduced from 50% to 25%



### \$280m

to deliver the second stage of the  
Mackay Ring Road in Queensland



Limit negative gearing to new housing  
from 1 January 2020



### \$300m

for the Suburban Rail Loop in  
Melbourne

# INVESTMENTS

## Improving trust in financial services

The Labor Party has committed to implementing 75 recommendations of the Royal Commission in full, with bills already drafted to enact five of the recommendations. If they take office in May, Labor has said they will require the big banks and regulators to create a Royal Commission action plan and report regularly on how they are tracking against their commitments.



### \$640m

Banking Fairness Fund to fund 500 new financial counsellors and 200 new financial rights lawyers



Create a single Australian Whistleblowing Act



New accountability mechanisms on the banks and regulators



Abolish trail commissions from lenders to mortgage brokers and aggregators on new loans from 1 July 2020 as well as banning volume-based commissions



Establish a victim compensation package – consumers and small businesses eligible for up to \$2 million in compensation

## Research and development

Australia's reputation as a world leading destination for research and development is constantly being tested against our peers with established or emerging research hubs. While there was no additional investment in R&D from the Government in the 2019-2020 Budget, we're pleased to see a commitment from the Labor Party to provide support mechanisms which would see an increase in R&D as a percentage of GDP from 1.8% to 3%. We feel such support reflects the value our R&D intensive industries, such as life sciences, technology, and manufacturing, contributes to the economy.



Commitment to increase spending on R&D from 1.8% to 3% of GDP



Commitment to support scientists, and invest in research and clinical trials

# INVESTMENTS

## Black economy and tax integrity

Responding to the Black Economy – those people and organisations operating outside our regulatory and tax framework – was a key feature of the 2018-2019 Budget. Many initiatives have already been implemented, and this year we expect to see real impact in this space off the back of Single Touch Payroll being extended to small and micro businesses, as well as ABN reform. Labor has proposed a number of additional policies aimed at multinational companies to increase transparency.



Amend the thin capitalisation rules to remove the safe-harbour thin capitalisation and 'armslength' tests for interest deductions of multinational firms



Introduce Community sector representative on Board of Taxation



Remove tax advantages and inconsistencies between multiple entry consolidated groups and Australian-owned ordinary consolidated groups



\$50m

additional per annum to the ATO for multinational tax compliance



\$100m

threshold for public reporting of tax data for private companies



Create a National Integrity Commission

# INVESTMENTS

## People and movement

A number of Labor initiatives focus on giving Australians the best opportunities for employment – which influences their policies around skilled migration and 457 visas. A proposed new SMART visa complements Labor's commitment to R&D.



### 457

visa limit to areas of genuine skills shortage and requiring positions to be advertised in Australia for local workers first



Introduce an independent Australian Skills Authority to lead on labour market testing



Introduce SMART visas - Science, Medicine, Academia, Research and Technology - targeted at "world leaders" in those particular sectors

## Tax policies affecting individuals and investors

Labor has said they will provide tax cuts for more than 2.9 million people earning less than \$40,000, but won't endorse the Government's plans to reduce the tax brackets from four to three. They also have detailed policies around discretionary trusts and franking credits – the savings of which will primarily help to finance health and education initiatives.



### 49%

top marginal tax rate (including Budget Repair Levy) for taxpayers with taxable income in excess of \$180,000



### \$3,000

maximum deduction for using accountants to prepare personal tax returns



### 30%

minimum tax rate for discretionary trust distributions to mature beneficiaries (people over the age of 18)



Abolish franking credit refunds from 1 July 2019 except for Pensioners or SMSFs with at least one Pensioner member, and charities/Not for Profit organisations



### \$1b

in tax cuts for low income earners under \$40,000

# About Grant Thornton



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