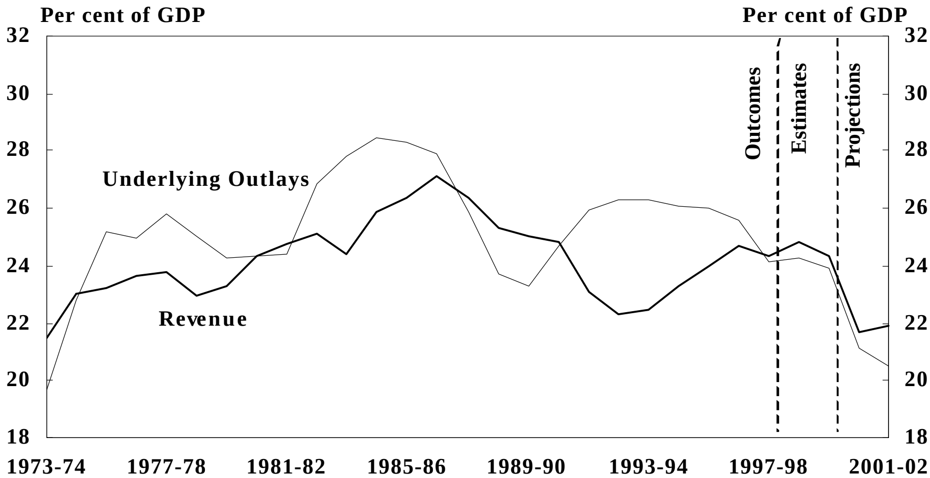
PART III: FISCAL OUTLOOK

OVERVIEW

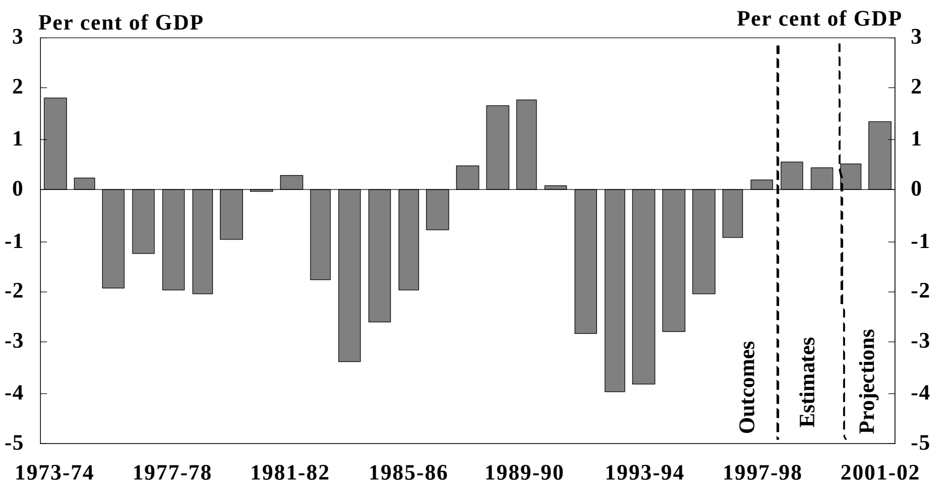
The fiscal outlook over the four years to 2001-02 remains sound. The budget is already in surplus and surpluses are projected to continue over the forward estimates period. In 1998-99, the underlying budget surplus is expected to be $3.3 billion, an increase from the $1.2 billion surplus achieved in 1997-98. While the expected surplus in 1998-99 is larger than estimated at the time of the September 1998 PEFO, smaller surpluses are now projected for the outyears compared with the PEFO.

Chart 2: Underlying Budget Aggregates

Panel A: Budget Sector Revenue and Outlays



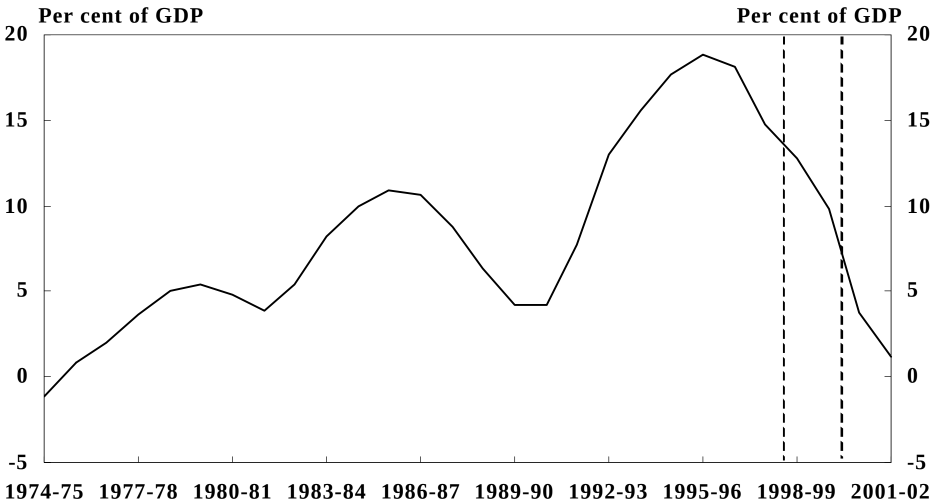
Panel B: Underlying Budget Balances



The current fiscal outlook is consistent with the Government's commitment to maintain the budget in surplus while economic growth prospects remain sound. Furthermore, the current and anticipated surpluses have been achieved primarily through outlays restraint rather than increases in revenue. Following the introduction of *A New Tax System*, underlying outlays as a proportion of GDP are expected to decline to 20.5 per cent by 2001-02, while revenue is expected to decline to 21.9 per cent of GDP over the same period.

The Government is also on target to achieve its five year objective of halving the ratio of Commonwealth general government net debt to GDP from that inherited in 1995-96 (see Chart 3). This is driven by the underlying surpluses in prospect, combined with asset sale proceeds.

Chart 3: Commonwealth General Government Net Debt[(a)]



(a) Data for 1987-88 to 1997-98 are from ABS *Public Sector Financial Assets and Liabilities* (Cat. No.5513). These data take into account the reclassification of universities from the general government sector to a separate multijurisdictional sector. Data for years prior to 1987-88 are Treasury estimates which do not exclude universities. The adjustment for universities has only a negligible effect on the estimates.

Table 5 provides a reconciliation between the underlying budget balance estimates released at the time of the 1998-99 Budget, the September 1998 PEFO and the 1998-99 MYEFO, identifying the effects of policy decisions and parameter and other variations.

The major revisions to the outyears from the 1998-99 Budget to the PEFO reflect the impact of *A New Tax System*. Since the PEFO, parameter and other variations have been the major source of changes in the budget outlook. These variations improve the budget balance in 1998-99, but reduce the estimated balance in the other three years.

In particular, parameter and other variations since the PEFO result in lower outlays over the forward estimates period. This is primarily due to the combination of regular conservative bias allowance drawdowns from the contingency reserve and lower than expected beneficiary numbers for disability support programmes. On the revenue side, parameter and other variations increase revenue in 1998-99, but reduce revenue over the forward estimates period. Over the outyears, the impact on revenue from parameter variations more than offsets the impact on outlays.

Table 5: Reconciliation of Underlying Budget Balance Estimates(a)

	1998-99 $m	1999-00 $m	2000-01 $m	2001-02 $m
1998-99 Budget underlying balance estimates	**2688**	**4733**	**8614**	**14588**
(per cent of GDP)	**0.5**	**0.8**	**1.3**	**2.1**
Changes between 1998-99 Budget and PEFO				
Effect of parameter and other variations				
Underlying outlays	526	-197	-557	-1045
Revenue	982	87	-257	-282
Total	-455	-284	-300	-763
Effect of policy decisions(b)				
Underlying outlays	601	2315	-11611	-12459
Revenue	3	734	-16558	-17435
Total	598	1581	4947	4976
1998 PEFO underlying balance estimates	**2545**	**3435**	**3967**	**10374**
Changes between 1998 PEFO and MYEFO				
Effect of parameter and other variations				
Underlying outlays	-46	-822	-718	-623
Revenue	981	-1453	-1020	-1073
Total	-1027	631	302	451
Effect of policy decisions				
Underlying outlays(c)	285	164	192	430
Revenue(d)	-21	-34	-53	-77
Total	305	198	245	507
1998-99 MYEFO underlying balance estimates	**3267**	**2607**	**3420**	**9416**
(per cent of GDP)	**0.6**	**0.4**	**0.5**	**1.4**

(a) A negative figure for revenue indicates a deterioration in the budget balance. For all other items, a negative figure indicates an improvement in the budget balance. Totals may not sum due to rounding.
(b) Includes total budgetary cost of *A New Tax System* (including the PDI effects of *A New Tax System*). For all other policy decisions, PDI effects are included in parameter and other variations.
(c) Includes the PDI cost of policy measures.
(d) Includes the interest revenue impact of policy measures.

Major policy decisions taken in the period from the 1998-99 Budget to PEFO include:

- measures announced in *A New Tax System*, including substantial reductions in total revenue and outlays;
- funding from the *Telstra Social Bonus* to upgrade telecommunications infrastructure in remote Australia to facilitate the abolition of the pastoral call rate, and increase funding for *Networking the Nation* ($210 million over four years);
- additional funding provided to the States under the Australian Health Care Agreements of $724 million over three years; and

- additional funding for the Australian Federal Police of approximately $65 million over three years.

Major policy decisions taken from the PEFO to 13 December 1998 include:

- one-off funding for the Victoria Emergency Fund of $100 million in 1998-99;

- increased funding for Catholic schools of around $444 million over four years;

- additional funding for the Strategic Partnerships — Industry Research and Training Scheme of approximately $60 million over three years;

- additional funding of $250 million in 2001-02 from the *Telstra Social Bonus* for the Natural Heritage Trust; and

- funding from the *Telstra Social Bonus* to establish up to 500 rural transaction centres, further increase funding for the *Networking the Nation* regional telecommunications programme, and additional Television Fund Initiative expenditure ($163 million over four years).

A full description of all policy decisions taken since the 1998-99 Budget can be found in Appendix A.

Appendix B sets out a Statement of Risks which details potential factors which could materially affect the fiscal outlook. One important factor influencing the fiscal outlook will be variations in the economic parameters. A discussion of the estimated sensitivity of the outlays and revenue estimates to changes in economic parameters is provided in Appendix C.

OUTLAYS

Table 6 provides estimates of budget sector outlays for 1998-99 to 2001-02.

Table 6: Estimates of Budget Sector Outlays

	1998-99		1999-00	
	Budget	MYEFO	Budget	MYEFO
Underlying Outlays ($m)	**141570**	**142936**	**146566**	**148026**
Per cent of GDP	*24.6*	*24.3*	*24.0*	*23.9*
Net Advances ($m)	-16027	-5399	-18772	-13769
Outlays ($m)	125543	137537	127794	134256
Per cent of GDP	*21.8*	*23.4*	*20.9*	*21.7*
	2000-01		**2001-02**	
	Budget	MYEFO	Budget	MYEFO
Underlying Outlays ($m)	**151586**	**138893**	**156508**	**142811**
Per cent of GDP	*23.4*	*21.2*	*22.8*	*20.5*
Net Advances ($m)	-12856	-32793	455	-8497
Outlays ($m)	138730	106100	156963	134314
Per cent of GDP	*21.4*	*16.2*	*22.8*	*19.3*

Over the period 1998-99 to 2001-02, underlying outlays are expected to:

- in real terms, increase in 1998-99 and 1999-2000, decline in 2000-01 reflecting the impact of *A New Tax System* and remain broadly unchanged in 2001-02; and

- decline from 24.3 per cent of GDP in 1998-99 to 20.5 per cent of GDP in 2001-02, again largely reflecting the impact of *A New Tax System*.

Table 7 reconciles the underlying outlays estimates between the 1998-99 Budget, the 1998 PEFO and the 1998-99 MYEFO in terms of policy decisions and parameter and other variations.

Table 7: Reconciliation of Changes to Budget Sector Underlying Outlays Since the 1998-99 Budget

	1998-99 $m	1999-00 $m	2000-01 $m	2001-02 $m
Underlying outlays at 1998-99 Budget	**141570**	**146566**	**151586**	**156508**
Changes from 1998-99 Budget to PEFO				
Policy decisions(a)	601	2315	-11611	-12459
Revisions to economic parameters	-23	348	-29	-312
Programme specific parameters	101	-125	-173	-235
Slippage in 1998-99 Budget decisions	5	..	..	..
Other revisions	444	-420	-355	-498
Sub-total: programme specific parameter and other va	549	-545	-528	-733
Total parameter and other variations	526	-197	-557	-1045
Total variations	1127	2118	-12168	-13504
Underlying outlays at 1998 PEFO	**142698**	**148684**	**139419**	**143004**
Changes from 1998 PEFO to MYEFO				
Policy decisions(b)	285	164	192	430
of which public debt interest impact of measures	4	-3	10	15
Revisions to economic parameters				
Unemployment benefits	-90	212	167	145
Prices and wages	-137	-497	-277	-294
Interest and exchange rates	9	-104	-54	-49
Public debt interest	38	-204	-54	634
Sub-total: revision to economic parameters	-180	-593	-218	435
Programme specific parameters	-161	-175	-177	-188
Slippage in 1998-99 Budget decisions	-15	..	..	..
Other revisions	309	-53	-322	-870
Sub-total: programme specific parameter and other va	134	-229	-499	-1058
Total parameter and other variations	-46	-822	-718	-623
Total variations	238	-658	-526	-193
Underlying outlays at 1998-99 MYEFO	**142936**	**148026**	**138893**	**142811**

(a) Includes PDI effects of *A New Tax System*. For all other policy decisions, PDI effects are included in parameter and other variations.
(b) Includes PDI impact of revenue and outlays measures.

Since the 1998-99 Budget, the estimates of underlying outlays have increased for 1998-99 and 1999-2000 and declined significantly for the remaining outyears.

Variations in outlays estimates since the 1998-99 Budget have largely been driven by policy decisions. This primarily reflects *A New Tax System*, which has:

- increased outlays by $0.3 billion and $1.9 billion in 1998-99 and 1999-2000 respectively; and
- reduced outlays by $11.9 billion and $12.7 billion in 2000-01 and 2001-02 respectively (due mainly to the abolition of Financial Assistance Grants to the States/Territories).

Parameter and other variations since the budget increase underlying outlays in 1998-99 and reduce underlying outlays in the outyears.

Revisions to economic parameters since the budget include an increase in the number of unemployment beneficiaries (including through a technical adjustment for those unemployed persons previously receiving Youth Training Allowance and now receiving Youth Allowance); a weaker exchange rate; and a reduction in public debt interest costs relative to the 1998-99 Budget estimates.

Downward revisions to program specific parameters over the four years to 2001-02 principally reflect lower average rates and forecast client numbers for a range of Disability Support Pensions and allowances.

Other revisions increase underlying outlays in 1998-99, but reduce outlays over the forward estimates period.

- Increased underlying outlays in 1998-99 largely reflects ‘carryovers’ of underspends from 1997-98 into 1998-99, and the upfront cost associated with the downsizing of Centrelink.

- Reduced underlying outlays in the outyears are due primarily to a drawdown of the conservative bias allowance in the Contingency Reserve, partly offset by, among other things, increased aged care due to revised demographic and eligibility criteria.

Conservative Bias Allowance

The forward estimates are based on decisions already made and economic projections. They also include an allowance for the established tendency for spending on existing Government policy (particularly for demand driven programmes) to be higher than estimated. This allowance, known as the conservative bias allowance, is included as part of the contingency reserve in the forward estimates at the beginning of each budget year. It is then gradually reduced as the year progresses so that the budget year conservative bias allowance is zero.

Table 8: Policy Decisions taken since the 1998-99 Budget[(a)]

	1998-99 $m	1999-00 $m	2000-01 $m	2001-02 $m
AGRICULTURE, FISHERIES AND FORESTRY				
Measures introduced up to the 1998 PEFO				
Sugar Industry Assistance Package	3.2	4.4	3.9	2.8
Pork Industry Assistance Package	6.0	1.5	0.5	-
East Gippsland floods - grant to Victorian Farmers Federation for fodder transport	0.1	-	-	-
Loxton Irrigation Area Water System - refurbishment	0.8	-	-	-
Drought Exceptional Circumstances Assistance - Duaringa, Monaro C and Cobar/Wilcannia	3.3	3.2	0.1	-
Measures introduced since the 1998 PEFO				
Drought Exceptional Circumstances Assistance - Wentworth and Broken Hill areas	1.3	1.4	0.2	-
Savings from the Rural Adjustment Scheme to offset the grant to the Victorian Farmers Federation for fodder transport to East Gippsland	-0.1	-	-	-
Costs associated with the privatisation of the Wool International stockpile	0.5	-	-	-
Total	**15.1**	**10.5**	**4.7**	**2.8**
ATTORNEY-GENERAL'S				
Measures introduced up to the 1998 PEFO				
Child Support - pilot services to assist parents when contact orders are made	0.4	0.6	0.6	-
Australian Federal Police - resourcing needs and reform programme	27.4	21.9	16.0	-
Total	**27.8**	**22.5**	**16.6**	**0.0**
COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS				
Measures introduced up to the 1998 PEFO				
National Gallery of Australia - building repairs	0.6	-	-	-
Telstra Social Bonus - upgrade of the telecommunications infrastructure in remote Australia to facilitate the abolition of pastoral call rate	-	50.0	50.0	50.0
Telstra Social Bonus - increased funding for Networking the Nation	-	20.0	20.0	20.0
Measures introduced since the 1998 PEFO				
Telstra Social Bonus - further increased funding for Networking the Nation	-	7.0	7.0	7.0
Telstra Social Bonus - Television fund initiative	-	24.0	24.0	24.0
Grant to John Saunders Foundation	1.0	-	-	-
Australian Broadcasting Authority - funding for planning requirements related to digital broadcasting	0.5	-	-	-
Savings in running costs - offsets to funding Australian Broadcasting Authority for planning requirements related to digital broadcasting	-0.5	-	-	-
Total	**1.6**	**101.0**	**101.0**	**101.0**

(a) Policy decisions taken up to 13 December 1998.

Table 8: Policy Decisions taken since the 1998-99 Budget (continued)

	1998-99 $m	1999-00 $m	2000-01 $m	2001-02 $m
EDUCATION, TRAINING AND YOUTH AFFAIRS				
Measures introduced up to the 1998 PEFO				
A New Tax System - increased assistance for social security recipients	-	-	7.5	6.9
Measures introduced since the 1998 PEFO				
Additional funding to Catholic Education Systems	135.3	98.3	103.8	106.6
Extra student places for James Cook University	2.1	4.6	5.4	5.6
Strategic Partnerships - Industry Research and Training Scheme	-	12.4	23.4	24.0
Short-term Emergency Assistance for School-term Hostels	0.3	-	-	-
Total	**137.7**	**115.4**	**140.2**	**143.1**
EMPLOYMENT, WORKPLACE RELATIONS AND SMALL BUSINESS				
Measures introduced up to the 1998 PEFO				
Enhancement to Job Network Services	38.9	16.6	-	-
Employment Services Market - reprioritisation of funding	-25.4	-10.1	-	-
A New Tax System - goods and services tax business startup package	-	500.0	-	-
Total	**13.5**	**506.5**	**0.0**	**0.0**
ENVIRONMENT AND HERITAGE				
Measures introduced since the 1998 PEFO				
Telstra Social Bonus - additional funding for the Natural Heritage Trust	-	-	-	250.0
Total	**0.0**	**0.0**	**0.0**	**250.0**

Table 8: Policy Decisions taken since the 1998-99 Budget (continued)

	1998-99 $m	1999-00 $m	2000-01 $m	2001-02 $m
FAMILY AND COMMUNITY SERVICES				
Measures introduced up to the 1998 PEFO				
Child Care Communication Strategy - enhancement of information activities	2.0	-	-	-
Apply full rate of rent assistance to people lodging in marginal accommodation - bring forward implementation to 1 January 1999	3.5	-0.4	..	..
Salvation Army - leadership training in the delivery of social welfare and health related services	0.5	0.5	0.5	0.5
Drought Exceptional Circumstances Assistance - Duaringa, Monaro C and Cobar/Wilcannia	0.2	0.3	..	-
Exempt Farm Family Restart Scheme re-establishment grants from income test lump sum provisions	2.9	1.7	-	-
A New Tax System - increased assistance for social security recipients	-	-	1600.6	1485.2
A New Tax System - improving assistance to families	-	-	1157.3	1219.7
A New Tax System - aged persons savings bonuses	-	-	1140.5	-
A New Tax System - reduction in pension taper rate	-	-	325.2	339.6
A New Tax System - reforming the fringe benefits tax provision	-	-	-14.3	-29.6
Measures introduced since the 1998 PEFO				
Drought Exceptional Circumstances Assistance - Wentworth and Broken Hill areas	0.2	0.2	0.1	-
Extension of Youth Homelessness Pilot Programme	2.3	-	-	-
Ex Gratia payments to pensioners without departure certificates	0.2	-	-	-
Additional funding for medical assessments for disability support payments	12.7	-	-	-
Grants to family relationship support organisations - services to support men in their family relationships	1.5	-	-	-
Optical surveillance to assist in detecting cases of serious social security fraud	-8.6	-16.5	-18.3	-18.8
Ex Gratia payments for Disability Support Pensions recipients affected by the implementation of the Youth Allowance	0.3	-	-	-
Ex Gratia payments for Austudy recipients affected by the implementation of the Youth Allowance	0.2	-	-	-
Total	**17.9**	**-14.2**	**4191.6**	**2996.6**
FINANCE AND ADMINISTRATION				
Measures introduced up to the 1998 PEFO				
Joint Standing Committee on Electoral Matters - Report on the 1996 Election - funding of Government response	-	5.1	4.2	4.2
Restoration of Harrick's Cottage - grant to Brimbank Council	0.1	-	-	-
Grant to St Peter's Church, East Melbourne	0.4	-	-	-
Administrative savings in management of non-commercial estate - Harrick's Cottage and St Peter's Church	-0.5	-	-	-
Natural disaster mitigation studies	3.0	3.0	3.0	3.0
Natural disaster mitigation studies - funded from within Natural Disaster Relief Assistance	-3.0	-3.0	-3.0	-3.0
Measures introduced since the 1998 PEFO				
Victoria Emergency Fund	100.0	-	-	-
Payment to administrators of Cobar Mines Pty Ltd	0.1	-	-	-
Costs associated with the privatisation of the Wool International stockpile	4.0	-	-	-
Reimbursement of costs associated with the privatisation of the Wool International stockpile*	-	-	-	-
Total	**104.1**	**5.1**	**4.2**	**4.2**

Table 8: Policy Decisions taken since the 1998-99 Budget (continued)

	1998-99 $m	1999-00 $m	2000-01 $m	2001-02 $m
HEALTH AND AGED CARE				
Measures introduced up to the 1998 PEFO				
Australian Health Care Agreements - additional funding to the States	182.0	192.7	169.2	180.1
Establish an Institute of Clinical Studies	-	5.0	5.1	-
Private health insurance industry reforms - re-insurance consultancy and consumer information service	0.8	0.5	0.5	0.5
Drought Exceptional Circumstances Assistance - Duaringa, Monaro C and Cobar/Wilcannia	0.1	0.1	-	-
Additional aged care places in rural and regional communities	0.3	1.1	1.5	1.5
Transfer of aged care places to rural and regional communities	-	-1.6	-1.7	-1.7
A New Tax System - private health insurance initiative	322.0	949.0	1016.0	1089.0
Measures introduced since the 1998 PEFO				
Drought Exceptional Circumstances Assistance - Wentworth and Broken Hill areas	..	0.1	..	-
Additional funding for residential aged care services continuing to receive additional recurrent funding	0.6	1.3	2.4	3.1
Assistance to remote Aboriginal communities to purchase (Avgas) aviation fuel instead of petrol to combat petrol sniffing	0.5	1.0	1.0	1.0
Total	**506.2**	**1149.0**	**1194.1**	**1273.6**
IMMIGRATION AND MULTICULTURAL AFFAIRS				
Measures introduced up to the 1998 PEFO				
Student Visa Programme - additional compliance and processing costs	3.5	3.7	4.2	4.8
Extension of Electronic Travel Authority to Hong Kong and Taiwan - offsetting savings	-	-9.5	-10.3	-11.1
Total	**3.5**	**-5.8**	**-6.1**	**-6.3**
INDUSTRY, SCIENCE AND RESOURCES				
Measures introduced up to the 1998 PEFO				
Assistance to Textile, Clothing, Footwear and Leather industries	-	-	10.2	144.7
Australian Commonwealth Games Association - grant to assist its preparation for, and involvement in, the 1998 Commonwealth Games	0.4	-	-	-
Measures introduced since the 1998 PEFO				
Investment incentives for Visy Pulp and Paper mill project	-	3.0	3.0	3.0
Total	**0.4**	**3.0**	**13.2**	**147.7**
PRIME MINISTER AND CABINET				
Measures introduced up to the 1998 PEFO				
Federation Fund - revised funding profile	-	100.0	-	-100.0
Federation Fund - additional funding	-	6.8	-	-
Flood relief - Wollongong	0.1	-	-	-
Measures introduced since the 1998 PEFO				
Referendum on the Republic	5.4	-	-	-
Total	**5.5**	**106.8**	**0.0**	**-100.0**

Table 8: Policy Decisions taken since the 1998-99 Budget (continued)

	1998-99 $m	1999-00 $m	2000-01 $m	2001-02 $m
TRANSPORT AND REGIONAL SERVICES				
Measures introduced up to the 1998 PEFO				
Sydney to Canberra Very High Speed Train Project - proving up phase	1.0	-	-	-
A New Tax System - new States responsibilities towards local government	-	-	-1335.7	-1382.2
Measures introduced since the 1998 PEFO				
Northern Territory Indigenous Health Infrastructure	10.0	-	-	-
Telstra Social Bonus - Rural Transaction Centres	1.0	30.0	30.0	9.0
Total	**12.0**	**30.0**	**-1305.7**	**-1373.2**
TREASURY				
Measures introduced up to the 1998 PEFO				
Community education and information programme on the tax system	3.0	-	-	-
Community education and information programme on the tax system - private health insurance rebate	2.0	-	-	-
Community education and information programme on the tax system - tax reform call centres	5.0	-	-	-
A New Tax System - reduction in Financial Assistance Grants	-	-	-18176.0	-18809.0
A New Tax System - grants to balance State budgets	-	-	-	941.0
A New Tax System - replacement of the Diesel Fuel Rebate Scheme	-	-	-1585.0	-1702.0
A New Tax System - diesel fuel rebate for remote power	-	-	9.0	9.0
A New Tax System - excise credit to replace Diesel Fuel Rebate Scheme	-	-	3579.0	3842.0
A New Tax System - goods and services tax policy and administration costs	-	350.0	350.0	300.0
A New Tax System - impact on public debt interest of tax reform	5.0	98.0	179.0	302.0
A New Tax System - advances to balance State budgets*	-	-	-	-
Total	**15.0**	**448.0**	**-15644.0**	**-15117.0**
VETERANS' AFFAIRS				
Measures introduced up to the 1998 PEFO				
Extend rent assistance eligibility for the Veterans' Children Education Scheme	0.6	0.6	0.6	0.6
A New Tax System - increased assistance for social security recipients	-	-	178.4	159.5
A New Tax System - aged persons savings bonuses	-	-	162.5	-
A New Tax System - reduction in pension taper rate	-	-	55.0	60.0
Total	**0.6**	**0.6**	**396.5**	**220.1**
MEASURES NOT ABLE TO BE ALLOCATED TO A PORTFOLIO				
Measures introduced up to the 1998 PEFO				
A New Tax System - reduced costs to government from indirect tax reform	-	-	-537.0	-568.0
Measures introduced since the 1998 PEFO				
Decisions taken but not yet announced	10.0	-	-	-
Total	**10.0**	**0.0**	**-537.0**	**-568.0**

* These measures have no impact on underlying outlays; they will, however, affect headline outlays.

Table 9: Changes to Budget Sector Underlying Outlays by Function since the 1998-99 Budget ($m)

	1998-99		1999-00		2000-01		2001-02	
	Budget	MYEFO	Budget	MYEFO	Budget	MYEFO	Budget	MYEFO
Legislative and Executive Affairs	612	649	516	534	510	526	609	623
Financial and Fiscal Affairs	1964	2119	1685	2077	1676	2062	1766	2104
Foreign Economic Aid	1811	1875	1814	1875	1836	1901	1890	1946
General Research	1256	1273	1239	1245	1209	1234	1247	1271
General Services	-48	-42	144	124	192	170	235	214
Government Superannuation Benefits	1651	1635	1429	1543	1756	1737	1866	1898
Defence	10981	11083	11013	11405	11201	11359	11440	11598
Public Order and Safety	1010	1101	895	920	912	929	911	896
Education	9536	9674	9482	9607	9604	9750	9774	9933
Health	22273	23183	23419	24805	24686	26124	25923	27462
Social Security and Welfare	53458	54017	55284	55185	57237	61560	59563	62427
Housing and Community Amenities	1330	1343	1272	1276	1226	1229	1040	1292
Recreation and Culture	1335	1363	1312	1317	1280	1280	1225	1223
Fuel and Energy	27	27	18	18	17	17	15	15
Agriculture, Forestry and Fishing	2073	2077	1977	1960	1773	1172	1589	800
Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction	1741	1827	1665	2186	1694	803	1795	858
Transport and Communication	1435	1489	1383	1516	1393	1498	1339	1436
Tourism	102	102	101	101	101	101	100	100
Labour and Employment Affairs	2737	2829	2666	2713	2618	2583	2656	2658
Other Economic Affairs, nec	342	346	316	317	313	313	316	316
Public Debt Interest	7745	7417	6576	6923	5559	5974	4101	4231
General Purpose Intergovernment Transactions	18405	18398	19698	19599	20338	4443	21232	5580
Natural Disaster Relief	37	37	33	33	33	33	33	33
Contingency Reserve	-288	-863	2372	525	4176	1749	5842	3882
Asset Sales	46	-22	258	222	245	345	-	15
Total Underlying Outlays	**141570**	**142936**	**146566**	**148026**	**151586**	**138893**	**156508**	**142811**

Table 10: Changes to Budget Sector Outlays by Economic Type since the 1998-99 Budget ($m)

	1998-99		1999-00		2000-01		2001-02	
	Budget	MYEFO	Budget	MYEFO	Budget	MYEFO	Budget	MYEFO
CURRENT OUTLAYS								
Final Consumption Expenditure	25280	25796	25003	25968	25555	25499	25548	25773
Defence Salaries	3487	3461	3379	3379	3317	3317	3467	3467
Defence Non-Salaries	7414	7545	7553	7946	7801	7959	7886	8044
Non-Defence Salaries	4200	4431	3804	3893	3836	3806	3857	3809
Non-Defence Non-Salaries	10179	10359	10267	10750	10601	10416	10337	10453
Total Current Transfer Payments	113486	114672	116916	118408	119697	108121	122917	110427
Interest	7945	7579	7175	6837	6323	6053	4742	5003
Subsidies	2806	2929	2775	3306	2640	1223	2775	999
Personal Benefit Payments	50338	50932	52273	52491	54112	58940	56265	59728
Grants to Non-Profit Institutions	2665	2597	2776	2608	2893	2727	3025	2833
Grants to Non-Budget Sector	14818	15253	15536	16551	16206	17268	17127	18254
Grants to State Governments	25941	26313	27383	27506	28357	13952	29625	15500
Grants Through State Governments	3563	3739	3700	3831	3875	2677	3978	2734
Grants Direct to Local Governments	217	221	230	234	246	250	264	267
Grants to Multi Jurisdictional Sector	3861	3818	3713	3723	3672	3696	3693	3722
Grants Overseas	1202	1211	1236	1234	1253	1253	1302	1303
Other Transfers	132	80	118	87	119	81	121	82
TOTAL CURRENT OUTLAYS	**138766**	**140468**	**141919**	**144375**	**145252**	**133620**	**148465**	**136200**
CAPITAL OUTLAYS								
Capital Outlays on Goods	165	152	506	636	683	694	831	714
Capital Outlays on Land	84	36	61	56	77	47	61	-12
Total Capital Transfer Payments	2765	2866	2630	2740	2626	2714	2556	2621
Grants to Non-Budget Sector	312	312	293	345	322	375	255	306
Grants to State Governments	2152	2184	2096	2097	2085	2085	2081	2085
Grants Through State Governments	99	99	91	91	82	81	83	82
Grants Direct to Local Governments	8	12	6	9	4	4	2	2
Grants to Multi Jurisdictional Sector	39	36	39	39	40	40	41	41
Grants to Other Sectors	155	223	106	159	94	129	95	105
TOTAL CAPITAL OUTLAYS	**3014**	**3054**	**3198**	**3432**	**3386**	**3456**	**3448**	**3323**
Contingency Reserve	-210	-585	1449	219	2948	1818	4595	3288
TOTAL UNDERLYING OUTLAYS	**141570**	**142936**	**146566**	**148026**	**151586**	**138893**	**156508**	**142811**
Memorandum Items								
Net Advances	*-16027*	*-5399*	*-18772*	*-13769*	*-12856*	*-32793*	*455*	*-8497*

Table 11: Changes to Budget Sector Underlying Outlays by Portfolio since the 1998-99 Budget ($m)

	1998-99		1999-00		2000-01		2001-02	
	Budget(a)	MYEFO	Budget(a)	MYEFO	Budget(a)	MYEFO	Budget(a)	MYEFO
Parliament	162	162	156	157	157	157	158	158
Agriculture, Fisheries and Forestry	1352	1336	1185	1138	936	839	889	783
Attorney-General's	1469	1517	1318	1304	1324	1297	1321	1265
Communications, Information Technology and the Arts	1375	1412	1237	1351	1255	1363	1264	1369
Defence	12143	12144	12064	12448	12279	12437	12508	12714
Veterans' Affairs	7251	7354	7529	7428	7698	7963	7861	7911
Education, Training and Youth Affairs	11434	10171	11318	10165	11348	10134	11548	10374
Employment, Workplace Relations and Small Business	445	1967	427	2250	425	1738	427	1753
Environment and Heritage	685	696	690	691	692	692	321	571
Family and Community Services	47305	47956	48964	49210	50754	55119	52912	56045
Finance and Administration	756	918	937	1072	1263	1386	1275	1304
Foreign Affairs and Trade	2116	2143	2139	2161	2160	2178	2223	2242
Health and Aged Care	21217	22072	22229	23541	23477	24816	24696	26121
Immigration and Multicultural Affairs	546	555	503	510	513	519	516	520
Industry, Science and Resources	1858	1904	1753	1782	1580	1617	1586	1755
Prime Minister and Cabinet	1328	1340	1437	1540	1567	1566	1695	1593
Transport and Regional Services	2683	2736	2652	2700	2709	1391	2702	1324
Treasury	27831	27511	27855	28359	27574	12234	27165	11426
Contingency Reserve	-387	-958	2172	218	3876	1449	5442	3582
Total Underlying Outlays	**141570**	**142936**	**146566**	**148026**	**151586**	**138893**	**156508**	**142811**

(a) Figures differ from estimates published in the 1998-99 Budget due to Administrative Arrangements Order changes introduced since that time.

REVENUE

Table 12 provides estimates of tax, non-tax and total revenue from 1998-99 to 2001-02.

Table 12: Estimates of Budget Sector Revenues

	1998-99		1999-00	
	Budget	MYEFO	Budget	MYEFO
Total tax ($m)	138172	140124	146371	146216
Per cent of GDP	*24.0*	*23.8*	*23.9*	*23.6*
Non-tax ($m)	6086	6079	4928	4416
Per cent of GDP	*1.1*	*1.0*	*0.8*	*0.7*
Total revenue ($m)	**144258**	**146203**	**151299**	**150632**
Per cent of GDP	*25.0*	*24.9*	*24.7*	*24.3*
	2000-01		2001-02	
	Budget	MYEFO	Budget	MYEFO
Total tax ($m)	155595	137889	165956	147288
Per cent of GDP	*24.0*	*21.0*	*24.1*	*21.2*
Non-tax ($m)	4605	4424	5140	4939
Per cent of GDP	*0.7*	*0.7*	*0.7*	*0.7*
Total revenue ($m)	**160200**	**142313**	**171096**	**152227**
Per cent of GDP	*24.7*	*21.7*	*24.9*	*21.9*

Relative to the 1998-99 Budget, the MYEFO estimate of total revenue is higher in 1998-99 but lower in 1999-2000, 2000-01 and 2001-02.

- Measured as a proportion of GDP, total revenue is expected to be slightly lower in 1998-99 and 1999-2000, and significantly lower in 2000-01 and 2001-02.

The measures announced in *A New Tax System* will result in both revenues and outlays being significantly lower in 2000-01 and 2001-02. Key factors resulting in reduced revenue are the abolition of Wholesale Sales Tax and major reductions in personal income tax. Revenue from the GST is classified as State and Territory revenue.

Revisions to the 1998-99 Budget estimates reflect the impact of revisions to economic parameters, revenue collections up to early December, and policy decisions taken since the Budget — up to and including 10 December 1998.

Table 13 reconciles the 1998-99 Budget revenue estimates to current revenue estimates in terms of policy decisions and parameter and other variations.

Table 13: Reconciliation of Changes to Budget Sector Revenue since the 1998-99 Budget

	1998-99 $m	1999-00 $m	2000-01 $m	2001-02 $m
Revenue at 1998-99 Budget	**144258**	**151299**	**160200**	**171096**
Changes from 1998-99 Budget to PEFO				
Policy decisions	3	734	-16558	-17435
Revisions to parameters and other variations	982	87	-257	-282
Total variations	985	821	-16815	-17717
Total revenue at 1998 PEFO	**145243**	**152119**	**143385**	**153378**
Changes from 1998 PEFO to MYEFO				
Policy decisions(a)	-21	-34	-53	-77
of which interest revenue impact of measures	-	-5	-19	-38
Revisions to parameters and other variations	981	-1453	-1020	-1073
Total variations	960	-1487	-1072	-1151
Total revenue at 1998-99 MYEFO	**146203**	**150632**	**142313**	**152227**

(a) Includes interest revenue impact of revenue and outlays measures.

Policy decisions made after the 1998-99 Budget increase revenue in 1999-2000 and reduce revenue significantly in 2000-01 and 2001-02. As noted above, the most significant changes in revenue are due to *A New Tax System*. Revenue policy decisions are outlined in Table 14 and detailed in Appendix A.

Table 14: Policy Decisions Taken Since the 1998-99 Budget

Description of Measure	1998-99 $m	1999-00 $m	2000-01 $m	2001-02 $m
Measures introduced up to the 1998 PEFO				
Defer start date for opting out of the Superannuation Guarantee System	-0.7	-	-	-
Cessation of TCF Import Credit Scheme	-	-	107.0	120.0
Extension of TCF Overseas Assembly Provisions (OAP)	-	-	-8.0	-8.0
A New Tax System	-	739.0	-16651.0	-17541.0
Student Visa Programme - additional revenue from visa processing	3.9	4.1	4.6	5.2
Extension of Electronic Travel Authority to Hong Kong and Taiwan from 1 July 1999	-	-9.5	-10.5	-11.6
Measures introduced since the 1998 PEFO				
Administrative Changes to Project By-Law Scheme(a)	-0.5	-0.6	-0.6	-0.7
Removal of Tariffs on Medical and Scientific Equipment(b)	-20.2	-28.4	-33.2	-38.8
Taxation Treatment on Disposal of Mining Property(c)	*	*	*	*
Total measures to the 1998 PEFO	**3.2**	**733.6**	**-16557.9**	**-17435.5**
Total measures since the 1998 PEFO	**-20.7**	**-28.9**	**-33.8**	**-39.5**

(a) This measure relates to a policy decision taken in the period before the 1998 election but which was not identified as a measure in the September 1998 PEFO.

(b) The omission of this measure from the September 1998 PEFO was corrected by a press release by the Secretary to the Treasury on 9 September 1998.

(c) This measure protects revenue.

Table 15 provides a detailed breakdown of the changes to estimates of major revenue items for 1998-99.

Table 15: Revenue Estimates

	1998-99			
	Budget Estimate $m	MYEFO Estimate $m	Change on Budget $m	Change on Budget %
Taxation Revenue				
Income Tax				
Individuals -				
Gross PAYE	67170	67620	450	0.7
Gross Other Individuals(a)(b)	10950	11630	680	6.2
Gross Prescribed Payments System(c)	2570	2600	30	1.2
Medicare Levy	4160	4170	10	0.2
Refunds(d)	9960	10150	190	1.9
Total Individuals	74890	75870	980	1.3
Companies(a)	19900	20800	900	4.5
Superannuation Funds(a)	2950	3600	650	22.0
Withholding Tax	1190	1160	-30	-2.5
Petroleum Resource Rent Tax	960	600	-360	-37.5
Fringe Benefits Tax	3320	3230	-90	-2.7
Total Income Tax	103210	105260	2050	2.0
Indirect Tax				
Sales Tax	15090	15050	-40	-0.3
Excise duty -				
Petroleum Products, Crude Oil and LPG	11110	11020	-90	-0.8
Other	2650	2630	-20	-0.8
Customs Duty - Imports(e)	3670	3810	140	3.8
Total Indirect Tax	32520	32510	-10	0.0
Other Taxes, Fees and Fines	2442	2354	-88	-3.6
Total Taxation Revenue	138172	140124	1952	1.4
Non-Tax Revenue				
Interest	1100	761	-339	-30.8
Dividends and Other	4986	5318	332	6.7
Total Non-Tax Revenue	6086	6079	-7	-0.1
TOTAL REVENUE	**144258**	**146203**	**1945**	**1.3**

(a) Includes tax on realised capital gains.
(b) Includes Child Support Trust Account receipts of $520 million.
(c) Includes Reportable Payments System payments by individuals of $1 million.
(d) Includes refunds of Child Support Trust Account receipts of $10 million.
(e) Customs duty collections include around $920 million of customs duty imposed on imported petroleum products, tobacco, beer and spirits, which is akin to excise duty on these items.

The changes in the 1998-99 estimates mirror changes in underlying economic conditions in 1997-98 and 1998-99. In particular, higher PAYE collections (following stronger than expected employment growth), increases in other individual income tax collections, and strong collections from companies and superannuation funds add to the estimates for 1998-99. Petroleum Resource Rent Tax is sharply lower, due to weaker oil prices and lower production.

Total revenue in 1999-2000 is lower than the 1998-99 Budget estimate due to forecast economic growth (reflecting the move from projections to forecasts), and lower non-tax revenue. The large decreases in revenue in the outyears largely reflect the abolition of Wholesale Sales Tax, coupled with the provision of personal income tax cuts in the tax reform package.

Table 16 provides estimates of major categories of revenue from 1998-99 to 2001-02.

Revenue estimates are highly dependent on general economic conditions and the effects of tax policy measures. In particular, taxpayers may respond to new measures in ways which were not fully anticipated at the time the relevant revenue estimates were prepared. Appendix B contains a description of the sources of risks to taxation revenue while Appendix C provides information on the sensitivity of the revenue estimates to changes in economic parameters.

Table 16: Revenue Estimates

	1998-99			1999-00			2000-01			2001-02		
	Budget	MYEFO	Change on 1997-98	Budget	MYEFO	Change on 1998-99	Budget	MYEFO	Change on 1999-00	Budget	MYEFO	Change on 2000-01
	$ billion	$ billion	%	$ billion	$ billion	%	$ billion	$ billion	%	$ billion	$ billion	%
Individuals Tax	74.9	75.9	7.1	79.7	79.8	5.2	85.1	69.9	-12.5	91.5	75.9	8.7
Per cent of GDP	*13.0*	*12.9*		*13.0*	*12.9*		*13.1*	*10.6*		*13.3*	*10.9*	
Other Income Tax	28.3	29.4	6.1	30.1	30.5	3.7	32.2	38.3	25.7	34.1	41.9	9.2
Per cent of GDP	*4.9*	*5.0*		*4.9*	*4.9*		*5.0*	*5.8*		*5.0*	*6.0*	
Total Income Tax	103.2	105.3	6.8	109.8	110.3	4.8	117.3	108.2	-1.9	125.6	117.8	8.9
Per cent of GDP	*17.9*	*17.9*		*18.0*	*17.8*		*18.1*	*16.5*		*18.3*	*16.9*	
Other Tax	35.0	34.9	3.5	36.6	35.9	3.0	38.3	29.7	-17.3	40.4	29.5	-0.6
Per cent of GDP	*6.1*	*5.9*		*6.0*	*5.8*		*5.9*	*4.5*		*5.9*	*4.2*	
Total Tax	138.2	140.1	6.0	146.4	146.2	4.3	155.6	137.9	-5.7	166.0	147.3	6.8
Per cent of GDP	*24.0*	*23.8*		*23.9*	*23.6*		*24.0*	*21.0*		*24.1*	*21.2*	
Non-tax	6.1	6.1	28.0	4.9	4.4	-27.3	4.6	4.4	0.2	5.1	4.9	11.6
Per cent of GDP	*1.1*	*1.0*		*0.8*	*0.7*		*0.7*	*0.7*		*0.7*	*0.7*	
Total Revenue	**144.3**	**146.2**	**6.7**	**151.3**	**150.6**	**3.0**	**160.2**	**142.3**	**-5.5**	**171.1**	**152.2**	**7.0**
Per cent of GDP	*25.0*	*24.9*		*24.7*	*24.3*		*24.7*	*21.7*		*24.9*	*21.9*	

TAX EXPENDITURES

Table 17 shows estimates and projections for the period 1995-96 to 2000-01 of aggregate tax expenditures identified and costed in the *1996-97 Tax Expenditures Statement.* These estimates have not been updated to reflect policy decisions (including measures announced in *A New Tax System*) or changes in economic parameters that have occurred since December 1997. Updated figures will be released in the *1997-98 Tax Expenditures Statement*, which is expected to be released in early 1999.

Table 17: Aggregate Tax Expenditures 1995-96 to 2000-01

Year	Superannuation ($m)	Other Tax Expenditures ($m)(a)	Total ($m)
1995-96	8315	9972	18287
1996-97	8700	10769	19469
1997-98 (estimate)	8490	10666	19156
1998-99 (estimate)	8720	12042	20762
1999-00 (projection)	9390	13509	22899
2000-01 (projection)	10025	14373	24398

(a) This aggregate does not include timing measures.