PART 1: AUSTRALIAN GOVERNMENT BUDGET OUTCOME

OVERVIEW

In 2009-10, the Australian Government general government sector recorded an underlying cash deficit of $54.8 billion (4.2 per cent of gross domestic product (GDP)). The fiscal balance was in deficit by $52.9 billion (4.1 per cent of GDP).

These outcomes show the full impact of the global financial crisis on the Australian Government's budget in 2009-10. Unlike many countries, Australia avoided recession in 2009, but the economy still slowed markedly and commodity prices and business profits fell sharply.

This meant that tax receipts in 2009-10 came in almost $50 billion below the level that was forecast before the crisis (in the 2008-09 Budget), a loss of almost one-sixth of forecast tax receipts.

Economic growth in Australia is now strengthening and tax receipts are recovering. Combined with continued spending restraint from the Government's fiscal strategy, this is expected to see the budget return to surplus in 2012-13, well ahead of any major advanced economy.

In cash terms, the deficit was $2.3 billion lower than estimated at the time of the 2010-11 Budget, with total cash receipts (excluding Future Fund earnings) $249 million lower than expected and total cash payments $2.6 billion lower than expected.

Table 1: Australian Government general government sector budget aggregates

	2008-09 Outcome	2009-10 Estimate at 2010-11 Budget	2009-10 Outcome
Revenue ($b)	**298.9**	**294.2**	**292.8**
Per cent of GDP	23.8	22.7	22.5
Expenses ($b)	**324.6**	**343.1**	**339.2**
Per cent of GDP	25.9	26.5	26.1
Net operating balance ($b)	-25.6	-48.9	-46.5
Net capital investment ($b)	4.1	5.8	6.4
Fiscal balance ($b)	**-29.7**	**-54.8**	**-52.9**
Per cent of GDP	-2.4	-4.2	-4.1
Underlying cash balance ($b)(a)	**-27.1**	**-57.1**	**-54.8**
Per cent of GDP	-2.2	-4.4	-4.2
Memorandum item:			
Headline cash balance ($b)	-31.3	-59.2	-56.5

(a) Excludes Future Fund earnings.

At the end of 2009-10, the level of Australian Government net debt was $42.3 billion (3.3 per cent of GDP) which was $445 million higher than expected at the time of the 2010-11 Budget. Australian Government general government sector net financial worth decreased from -$73.8 billion in 2008-09 to -$146.1 billion at the end of 2009-10. Net worth decreased from $19.7 billion in 2008-09 to -$44.8 billion at the end of 2009-10.

REVENUE

Total accrual revenue was $292.8 billion in 2009-10, which is $1.4 billion below the estimate in the 2010-11 Budget. This largely reflects lower than expected taxation revenue of $1.5 billion. Non-taxation revenues were broadly in line with estimates.

The downward revision in taxation revenue is largely due to:

- lower than forecast total individuals' and other withholding tax of $530 million (0.4 per cent). Revenue from other individuals' income tax was $1.2 billion (4.3 per cent) lower than estimated, but this was partly offset by weaker individuals' refunds of $0.7 billion (2.9 per cent). The lower than estimated other individuals' income tax reflects weaker than anticipated capital gains outcomes. The weaker individuals' refunds reflect lower than expected lodgements of individual tax returns in the June quarter 2010;

- lower than forecast company taxation revenue of $457 million (0.9 per cent), partly reflecting slightly softer than expected profits and higher provision for tax refund liabilities;

- lower than expected excise and customs duty taxation revenue of $425 million (1.4 per cent), largely owing to reduced consumption of tobacco and fuel products;

- lower than forecast GST revenue of $277 million (0.6 per cent) mainly owing to unanticipated softness in consumption related to GST; and

- lower than estimated Petroleum Resource Rent Tax revenue of $183 million (12.3 per cent) reflecting lower than assumed oil prices.

The downwards variations were partially offset by higher than expected superannuation taxation revenue of $192 million (3.2 per cent), owing to stronger than anticipated instalment rates applying to payments for the March quarter.

Table 2: Australian Government general government sector revenue

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m	Change on 2010-11 Budget $m
Individuals and other withholding taxes			
Gross income tax withholding	119,970	119,922	-48
Gross other individuals	28,500	27,287	-1,213
less: Refunds	25,120	24,390	-730
Total individuals and other withholding taxation	123,350	122,820	-530
Fringe benefits tax	3,670	3,523	-147
Company tax	53,650	53,193	-457
Superannuation funds	5,990	6,182	192
Petroleum resource rent tax	1,480	1,297	-183
Income taxation revenue	**188,140**	**187,016**	**-1,124**
Sales taxes			
Goods and services tax	46,830	46,553	-277
Wine equalisation tax	730	748	18
Luxury car tax	490	499	9
Total sales taxes	48,050	47,800	-250
Excise duty			
Petrol	6,390	6,339	-51
Diesel	6,840	6,886	46
Beer	2,030	2,006	-24
Tobacco	5,920	5,652	-268
Other excisable products	3,710	3,665	-45
Of which: Other excisable beverages(a)	860	880	20
Total excise duty revenue	24,890	24,547	-343
Customs duty			
Textiles, clothing and footwear	830	767	-63
Passenger motor vehicles	1,150	1,226	76
Excise-like goods	2,960	2,826	-134
Other imports	1,130	1,248	118
less: Refunds and drawbacks	240	319	79
Total customs duty revenue	5,830	5,748	-82
Other indirect taxation			
Agricultural levies	371	395	24
Other taxes	2,248	2,494	247
Total other indirect taxation revenue	2,619	2,889	270
Indirect taxation revenue	**81,389**	**80,984**	**-405**
Taxation revenue	**269,529**	**268,000**	**-1,529**
Sales of goods and services	7,699	7,599	-100
Interest	4,569	4,430	-139
Dividends	7,426	7,658	232
Other non-taxation revenue	4,993	5,081	88
Non-taxation revenue(b)	**24,686**	**24,767**	**81**
Total revenue(b)	**294,215**	**292,767**	**-1,448**
Memorandum:			
Medicare levy revenue	*8,200*	*8,013*	*-187*

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.
(b) Includes Future Fund earnings.

EXPENSES

Total accrual expenses were $339.2 billion in 2009-10, $3.9 billion lower than estimated in the 2010-11 Budget. The downwards revision in expenses is largely due to:

- lower than forecast expenses of $437 million in general revenue assistance to the States and Territories, primarily reflecting lower than expected GST revenue collected;
- a decrease in expenses of $272 million in the Higher Education Loan Program arising from an increase in the expected repayment profile, as determined by the Australian Government Actuary, leading to a reduction in deferral costs;
- lower than forecast expenses of $265 million as a result of fewer than expected natural disaster relief claims for reimbursement from the States and Territories;
- lower than expected expenses of $254 million in the Medicare Services Program, due to a smaller than estimated number of Medicare Benefits Schedule eligible services delivered in 2009-10;
- lower than estimated expenses of $226 million in the Improving Australia's Energy Efficiency Program, mainly due to lower than forecast expenditure under the home insulation safety programs (following the termination of the Home Insulation Program), and under the now discontinued Solar Homes and Communities Plan and Green Loans program;
- a reduction in expenses of $222 million in the Water Reform Program including as a result of lengthy due diligence processes as part of negotiating multi-party funding agreements for program elements under the Sustainable Rural Water Use and Infrastructure component;
- lower than expected public debt interest expenses of $211 million reflecting revisions to the issuance pattern of Treasury Notes, the timing of Treasury Indexed Bonds issuance and changes in the composition of that issuance;
- a decrease in expenses of $190 million in the Resources Related Initiatives and Management Program due to a lower than anticipated take up rate in Ethanol Production Grants, and as a result of negotiations associated with funding agreements for Carbon Capture and Storage Flagships and the National Low Emission Coal Initiative;
- lower than expected expenses of $166 million, reflecting the finalisation of agreements with the States and Territories to the Improving Public Hospitals Services National Partnership; and

- a reduction in expenses of $138 million reflecting the finalisation of implementation arrangements for some projects funded from the Health and Hospitals Fund.

Estimated expenses for 2009-10, published in the 2010-11 Budget, also included a provision for underspends in the contingency reserve.

Table 3: Australian Government general government sector expenses by function

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
General public services		
Legislative and executive affairs	882	840
Financial and fiscal affairs	6,581	6,845
Foreign affairs and economic aid	4,848	4,869
General research	2,535	2,358
General services	730	818
Government superannuation benefits	3,288	3,472
Defence	20,620	20,150
Public order and safety	3,936	3,593
Education	34,895	34,889
Health	52,786	51,426
Social security and welfare	109,675	109,197
Housing and community amenities	9,270	9,029
Recreation and culture	3,208	3,280
Fuel and energy	8,971	8,473
Agriculture, forestry and fishing	3,330	2,816
Mining, manufacturing and construction	1,690	1,630
Transport and communication	6,837	6,641
Other economic affairs		
Tourism and area promotion	172	162
Total labour and employment affairs	4,706	4,694
Immigration	1,632	1,571
Other economic affairs nec	2,286	2,200
Other purposes		
Public debt interest	6,514	6,303
Nominal superannuation interest	6,695	6,687
General purpose inter-governmental transactions	47,632	47,157
Natural disaster relief	402	136
Contingency reserve	-999	0
Total expenses	**343,122**	**339,239**

NET CAPITAL INVESTMENT

Total net capital investment for 2009-10 was $6.4 billion, which is $586 million higher than estimated in the 2010-11 Budget. This increase predominantly relates to the acquisition by Defence of additional military equipment and the construction of Defence support facilities.

Table 4: Australian Government general government sector net capital investment by function

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
General public services	206	590
Defence	3,361	4,136
Public order and safety	233	103
Education	41	26
Health	332	249
Social security and welfare	119	60
Housing and community amenities	266	219
Recreation and culture	249	110
Fuel and energy	1	2
Agriculture, forestry and fishing	814	748
Mining, manufacturing and construction	2	0
Transport and communication	33	35
Other economic affairs	202	154
Other purposes	-13	0
Total net capital investment	**5,847**	**6,433**

CASH FLOWS

The 2009-10 underlying cash deficit was $54.8 billion, $2.3 billion lower than estimated at the 2010-11 Budget. This was the result of lower cash receipts (excluding Future Fund earnings) of $249 million and lower cash payments of $2.6 billion.[1]

Total cash receipts (including Future Fund earnings) were $284.7 billion in 2009-10, around $538 million lower than estimated in the 2010-11 Budget. This mainly reflects lower than expected non-taxation receipts of $552 million.

Total taxation receipts were $14 million higher than the estimate in the 2010-11 Budget while the total accrual taxation revenue was $1.5 billion lower than the estimate in the 2010-11 Budget. The difference between the cash and accrual results was primarily due to company tax receipts increasing by $719 million relative to the budget estimate, compared with a $457 million decrease for its accrual equivalent. This difference is due to earlier than expected payments of tax liabilities relating to previous income years.

The difference between the cash and accrual results for non-taxation revenue of $633 million primarily reflects dividends earned but not yet received and an increase in receivables across entities.

1 Cash payments are equal to payments for operating activities, purchases of non-financial assets and the net acquisition of assets under finance leases.

Total cash payments (including finance leases) were $336.9 billion in 2009-10, $2.6 billion lower than estimated at the 2010-11 Budget.

The difference between the lower than expected cash payments of $2.6 billion and the lower than expected net outcome for expenses and net capital investment of $3.3 billion is predominantly due to GST cash payments advanced to the States and Territories in 2009-10 which will not be expensed until 2010-11.

Table 5: Australian Government general government sector receipts

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m	Change on 2010-11 Budget $m
Individuals and other withholding taxes			
Gross income tax withholding	118,580	118,532	-48
Gross other individuals	26,640	25,928	-712
less: Refunds	25,120	24,390	-730
Total individuals and other withholding taxation	120,100	120,070	-30
Fringe benefits tax	3,680	3,504	-176
Company tax	51,490	52,209	719
Superannuation funds	5,910	6,099	189
Petroleum resource rent tax	1,250	1,251	1
Income taxation receipts	**182,430**	**183,132**	**702**
Sales taxes			
Goods and services tax	44,597	43,967	-629
Wine equalisation tax	720	733	13
Luxury car tax	490	472	-18
Total sales taxes	45,807	45,173	-634
Excise duty			
Petrol	6,330	6,301	-29
Diesel	6,860	6,844	-16
Beer	2,030	1,994	-36
Tobacco	5,920	5,653	-267
Other excisable products	3,720	3,647	-73
Of which: Other excisable beverages(a)	860	875	15
Total excise duty receipts	24,860	24,439	-421
Customs duty			
Textiles, clothing and footwear	830	763	-67
Passenger motor vehicles	820	917	97
Excise-like goods	2,960	2,826	-134
Other imports	1,120	1,246	126
less: Refunds and drawbacks	380	411	31
Total customs duty receipts	5,350	5,341	-9
Other indirect taxation			
Agricultural levies	371	395	24
Other taxes	2,141	2,494	352
Total other indirect taxation receipts	2,512	2,888	376
Indirect taxation receipts	**78,529**	**77,841**	**-688**
Taxation receipts	**260,959**	**260,973**	**14**
Sales of goods and services	7,657	7,706	48
Interest received	4,507	4,025	-482
Dividends	6,927	6,999	72
Other non-taxation receipts	5,151	4,960	-191
Non-taxation receipts(b)	**24,242**	**23,689**	**-552**
Total receipts(b)	**285,201**	**284,662**	**-538**
Memorandum:			
Medicare levy receipts	*8,200*	*8,013*	*-187*

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.
(b) Includes Future Fund earnings.

Table 6: Summary of Australian Government general government sector cash flows

	2009-10 Estimate at 2010-11 Budget $b	2009-10 Outcome $b
Cash receipts		
Operating cash receipts excluding Future Fund earnings	282.1	281.9
Future Fund earnings	2.8	2.5
Total operating receipts	284.9	284.4
Capital cash receipts(a)	0.3	0.2
Total cash receipts	285.2	284.7
Cash payments		
Operating cash payments	328.7	325.7
Capital cash payments(b)	10.8	11.1
Total cash payments	339.5	336.9
Finance leases and similar arrangements(c)	0.0	0.0
GFS cash surplus(+)/deficit(-)	**-54.3**	**-52.2**
Per cent of GDP	-4.2	-4.0
less Future Fund earnings	2.8	2.5
Underlying cash balance(d)	**-57.1**	**-54.8**
Per cent of GDP	-4.4	-4.2
Memorandum items:		
Net cash flows from investments in financial assets for policy purposes	-4.9	-4.3
plus Future Fund earnings	2.8	2.5
Headline cash balance	**-59.2**	**-56.5**

(a) Equivalent to cash receipts from the sale of non-financial assets in the cash flow statement.
(b) Equivalent to cash payments for purchases of non-financial assets in the cash flow statement.
(c) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.
(d) Excludes Future Fund earnings.

NET DEBT, NET FINANCIAL WORTH AND NET WORTH

At the end of 2009-10, the level of Australian Government net debt was $42.3 billion (3.3 per cent of GDP) which was $445 million higher than estimated at the time of the 2010-11 Budget. This reflects the higher than expected market value of government securities as a result of lower interest rates, which is partially offset by the higher than expected value of investments and advances held by the Government.

Net financial worth was -$146.1 billion at the end of 2009-10, which was $27.6 billion lower than estimated at the 2010-11 Budget. The largest changes since the Budget are an increase in the Government's superannuation liability of $18.1 billion owing to the lower than estimated discount rate at 30 June, the lower than expected value of equity investments in other public sector entities and the higher than expected market value of government securities on issue. These movements were partly offset by the higher than expected value of investments and advances held by the Government.

Net worth was -$44.8 billion at the end of 2009-10, which was $24.7 billion lower than estimated at the 2010-11 Budget. Partly offsetting the decrease in net financial worth since Budget outlined above, was the higher than expected value of the Government's buildings and plant, equipment and infrastructure.

Table 7: Australian Government general government sector net financial worth, net worth, net debt and net interest payments

	2009-10 Estimate at 2010-11 Budget $b	2009-10 Outcome $b
Financial assets	219.2	218.5
Non-financial assets	98.4	101.2
Total assets	**317.6**	**319.8**
Total liabilities	**337.7**	**364.6**
Net worth	**-20.1**	**-44.8**
Net financial worth(a)	**-118.5**	**-146.1**
Per cent of GDP	-9.2	-11.2
Net debt(b)	**41.8**	**42.3**
Per cent of GDP	3.2	3.3
Net interest payments	**2.0**	**2.4**
Per cent of GDP	0.2	0.2

(a) Net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets.

(b) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.