PART 1: AUSTRALIAN GOVERNMENT BUDGET OUTCOME

OVERVIEW

In 2012-13, the Australian Government general government sector recorded an underlying cash deficit of $18.8 billion (1.2 per cent of gross domestic product (GDP)). The fiscal balance was in deficit by $23.5 billion (1.6 per cent of GDP).

In cash terms, the Final Budget Outcome for 2012-13 was a $543 million improvement compared with the underlying cash deficit estimated at the 2013-14 Budget, with total receipts $642 million higher than expected and total payments $81 million lower than expected. Net Future Fund earnings were higher than expected by $181 million.

In fiscal balance terms, the Final Budget Outcome for 2012-13 was a $3.2 billion deterioration compared to the fiscal balance deficit estimated at the 2013-14 Budget, with higher than expected revenues of $198 million more than offset by higher than expected expenses of $1.2 billion and higher than expected net capital investment of $2.2 billion.

Real GDP grew at a slightly below trend rate in 2012-13, mainly owing to modest growth in household consumption and public final demand. Commodity prices fell in 2012-13 reflecting more moderate growth in China and an expansion in the global supply of commodities. The fall in commodity prices led to a significant decline in the terms of trade. This, alongside low wage growth, saw subdued growth in nominal GDP.

Tax receipts for 2012-13 were broadly in line with the forecast at the 2013-14 Budget, with total tax receipts $129 million higher than forecast. Tax receipts as a proportion of GDP have increased since 2011-12, but still remain low by historical standards.

Australian Government general government sector net debt was $153.0 billion (10.1 per cent of GDP), which was $8.6 billion lower than estimated at the time of the 2013-14 Budget. The change was primarily driven by the lower than expected market value of Commonwealth Government Securities (CGS), owing to higher than expected yields. Australian Government general government sector net financial worth was -$312.7 billion at the end of 2012-13. Net worth was -$202.7 billion at the end of 2012-13.

Table 1: Australian Government general government sector budget aggregates

	2011-12 Outcome $b	2012-13 Estimate at 2013-14 Budget $b	2012-13 Outcome $b	Change on 2013-14 Budget $b
Receipts	**329.9**	**350.4**	**351.1**	**0.6**
Per cent of GDP	22.4	23.0	23.2	
Payments(a)	**371.0**	**367.3**	**367.2**	**-0.1**
Per cent of GDP	25.2	24.2	24.3	
Net Future Fund earnings	2.2	2.5	2.7	0.2
Underlying cash balance(b)	**-43.4**	**-19.4**	**-18.8**	**0.5**
Per cent of GDP	-2.9	-1.3	-1.2	
Revenue	**338.1**	**360.0**	**360.2**	**0.2**
Per cent of GDP	22.9	23.7	23.8	
Expenses	**378.0**	**381.4**	**382.6**	**1.2**
Per cent of GDP	25.6	25.1	25.3	
Net operating balance	-39.9	-21.5	-22.5	-1.0
Net capital investment	4.9	-1.2	1.0	2.2
Fiscal balance	**-44.7**	**-20.3**	**-23.5**	**-3.2**
Per cent of GDP	-3.0	-1.3	-1.6	
Memorandum item:				
Headline cash balance	-47.0	-22.2	-21.0	1.2

(a) Equivalent to cash payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.
(b) Excludes net Future Fund earnings.

UNDERLYING CASH BALANCE

The 2012-13 underlying cash deficit was $18.8 billion, an improvement of $543 million compared with the estimate at the 2013-14 Budget. This was the result of higher receipts of $642 million, lower payments of $81 million and higher net Future Fund earnings of $181 million.

Table 2: Summary of Australian Government general government sector cash flows

	2012-13 Estimate at 2013-14 Budget $b	2012-13 Outcome $b	Change on 2013-14 Budget $b
Cash receipts			
Operating cash receipts	348.8	349.3	0.6
Capital cash receipts(a)	1.6	1.7	0.1
Total cash receipts	350.4	351.1	0.6
Cash payments			
Operating cash payments	359.3	359.2	-0.1
Capital cash payments(b)	7.5	7.6	0.1
Total cash payments	366.9	366.9	0.0
Finance leases and similar arrangements(c)	0.4	0.3	-0.1
GFS cash surplus(+)/deficit(-)	**-16.9**	**-16.2**	**0.7**
Per cent of GDP	-1.1	-1.1	
less Net Future Fund earnings	2.5	2.7	0.2
Underlying cash balance(d)	**-19.4**	**-18.8**	**0.5**
Per cent of GDP	-1.3	-1.2	
Memorandum items:			
Net cash flows from investments in financial assets for policy purposes	-5.3	-4.8	0.5
plus Net Future Fund earnings	2.5	2.7	0.2
Headline cash balance	**-22.2**	**-21.0**	**1.2**

(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 net Future Fund earnings.

Receipts

Total receipts were $351.1 billion in 2012-13, $642 million higher than estimated in the 2013-14 Budget. Total receipts (excluding Future Fund earnings) were $348.0 billion in 2012-13, $491 million higher than estimated in the 2013-14 Budget.

Total tax receipts for 2012-13 were $326.4 billion, $129 million higher than expected in the 2013-14 Budget. Excluding GST, tax receipts were around $550 million lower than expected in the 2013-14 Budget.

Higher than expected receipts from company tax and GST were somewhat offset by lower than expected receipts from the carbon pricing mechanism, income tax withholding (ITW) and customs duty.

- Company tax receipts were $911 million above the 2013-14 Budget estimate.

- Receipts from GST were $678 million above the 2013-14 Budget estimate.

- Carbon pricing mechanism receipts were $530 million below the 2013-14 Budget estimate, consistent with lower than expected covered emissions.

- ITW receipts were $493 million below the 2013-14 Budget estimate, consistent with weaker than expected wages growth.

- Excise and customs duty receipts were $476 million below the 2013-14 Budget estimate, because of weaker than expected imports and fuel excise collections.

Non-tax receipts (excluding Future Fund earnings) were $21.5 billion in 2012-13, $363 million higher than estimated at the 2013-14 Budget. This increase largely relates to:

- greater than expected returns of unclaimed monies from banking institutions ($176 million), following recent reforms that reduced the period before unclaimed amounts are transferred to the Government; and

- greater than expected returns from unclaimed superannuation accounts ($155 million), following recent reforms that increased the account balance threshold below which inactive accounts are required to be transferred to the Government.

Table 3: Australian Government general government sector (cash) receipts

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Individuals' and other withholding taxes			
Gross income tax withholding	150,300	149,807	-493
Gross other individuals	33,300	33,294	-6
less: Refunds	26,750	26,801	51
Total individuals' and other withholding tax	156,850	156,300	-550
Fringe benefits tax	3,860	3,922	62
Company tax	66,000	66,911	911
Superannuation funds	7,680	7,661	-19
Resource rent taxes(a)	1,710	1,817	107
Income taxation receipts	**236,100**	**236,610**	**510**
Sales taxes			
Goods and services tax	47,918	48,596	678
Wine equalisation tax	720	725	5
Luxury car tax	430	434	4
Total sales taxes	49,068	49,756	688
Excise duty			
Petrol	6,000	5,990	-10
Diesel	8,600	8,513	-87
Beer	1,950	1,929	-21
Other excisable products(b)	9,020	8,980	-40
Of which: Other excisable beverages(c)	900	901	1
Total excise duty receipts	25,570	25,412	-158
Customs duty			
Textiles, clothing and footwear	680	676	-4
Passenger motor vehicles	920	892	-28
Excise-like goods(b)	5,660	5,430	-230
Other imports	1,530	1,499	-31
less: Refunds and drawbacks	330	354	24
Total customs duty receipts	8,460	8,143	-317
Carbon pricing mechanism	4,160	3,631	-530
Other indirect taxation			
Agricultural levies	463	463	-1
Other taxes	2,476	2,412	-64
Total other indirect taxation receipts	2,939	2,875	-65
Indirect taxation receipts	**90,197**	**89,815**	**-382**
Taxation receipts	**326,297**	**326,426**	**129**

Table 3: Australian Government general government sector (cash) receipts (continued)

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Sales of goods and services	9,043	9,071	28
Interest received	3,674	3,561	-112
Dividends	3,186	3,420	234
Other non-taxation receipts	8,211	8,575	364
Non-taxation receipts	**24,113**	**24,627**	**513**
Total receipts	**350,410**	**351,052**	**642**
Memorandum:			
Medicare levy receipts	*9,720*	*9,788*	*68*

(a) Comprises gross revenue from the PRRT and MRRT. Net revenue from the MRRT was $0.2 billion in 2012-13 which represents the net impact across different revenue heads. These include offsetting reductions in company tax (through deductibility) and interactions with other taxes.

(b) Tobacco figures are not separately reported because of taxpayer confidentiality. Since the 2013-14 Budget was published, legislation has been passed that allows for separate reporting of tobacco figures. As the legislation was not retrospective, this does not apply to the 2012-13 outcome.

(c) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

Payments

Total payments were $367.2 billion in 2012-13, $81 million lower than estimated in the 2013-14 Budget. Total payments (excluding Future Fund payments) were $366.8 billion, broadly in line with the estimate at the 2013-14 Budget.

The outcome for payments (excluding Future Fund payments) largely reflects decreases in:

- the Pharmaceutical Benefits Scheme ($730 million), primarily due to the greater than expected impact of price disclosure on the average price of medicines and on patient behaviour, and higher than forecast revenue recovered from cost-sharing arrangements;
- the Natural Disaster Relief and Recovery Arrangements (NDRRA) ($288 million), reflecting lower than expected claims for reimbursement from disasters occurring in previous years from the States and Territories, particularly payments for New South Wales;
- Income Support for Seniors ($232 million), primarily reflecting an increasing number of new recipients receiving part-rate pensions leading to a lower than projected average payment rate; and
- Department of Defence operations ($202 million), largely reflecting lower than expected costs related to suppliers, strategic lift and minor facilities.

These decreases in cash payments were broadly offset by higher than forecast payments for the Research and Development Tax Incentive ($299 million), largely reflecting the higher than expected value of claims and take-up by companies; and the extinguishment of the provision for underspends in the Contingency Reserve.

Net Future Fund Earnings

The underlying cash balance excludes net Future Fund earnings. Net Future Fund earnings were $2.7 billion in 2012-13, $181 million higher than estimated in the 2013-14 Budget. This largely reflects higher receipts from dividends of $222 million, and lower interest receipts of $71 million.

FISCAL BALANCE

The 2012-13 fiscal balance deficit was $23.5 billion, a $3.2 billion deterioration on the deficit of $20.3 billion estimated in the 2013-14 Budget. The cash receipt and payment variations outlined previously have a similar impact on revenue and expenses since fiscal and cash variances are typically driven by the same factors. However, the deterioration in the fiscal balance of $3.2 billion, compared with the improvement in the underlying cash balance of $543 million, is the result of revenue and expenses and net capital investment variations that do not have a corresponding cash impact in 2012-13, as outlined below.

Revenue

Total revenue was $360.2 billion in 2012-13, $198 million higher than estimated in the 2013-14 Budget.

Taxation revenue was $337.3 billion in 2012-13, $1.4 billion below the estimate in the 2013-14 Budget.

Carbon pricing mechanism revenue in 2012-13 was $1.0 billion lower than expected at the 2013-14 Budget, reflecting information from interim emissions reports and an estimate of accrued carbon price revenue based on the audited accounts of the Clean Energy Regulator. The estimate is considered preliminary as certain emitters are not required to report in interim emissions reports, and emitters may base their interim report on the previous year's emissions. Information on actual 2012-13 emissions will become available following the final emissions reporting in October 2013.

Total non-tax revenue was $22.8 billion in 2012-13, $1.6 billion higher than estimated at the 2013-14 Budget. Non-tax receipts (excluding Future Fund earnings) were $21.5 billion, $363 million higher than estimated at Budget.

The $1.2 billion difference in outcomes between non-tax revenue (including Future Fund earnings) and non-tax receipts (excluding Future Fund earnings) is largely a result of increases to non-tax revenue, which did not have a corresponding non-tax receipt impact in 2012-13, including:

- additional Department of Defence revenue ($357 million) that was not budgeted for, arising predominantly from liquidated damages relating to projects in the capital program;

- a special dividend from Medibank Private ($300 million), which was originally recognised in 2013-14 in the 2013-14 Budget. The dividend was declared in 2012-13 but paid in August 2013; and

- higher Future Fund revenue ($279 million), largely owing to higher than expected dividends declared in the June quarter.

Table 4: Australian Government general government sector (accrual) revenue

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Individuals' and other withholding taxes			
Gross income tax withholding	151,660	151,069	-591
Gross other individuals	35,940	36,283	343
less: Refunds	26,750	26,801	51
Total individuals' and other withholding taxation	160,850	160,551	-299
Fringe benefits tax	3,890	3,971	81
Company tax	68,132	68,208	75
Superannuation funds	7,800	7,581	-219
Resource rent taxes(a)	1,740	1,927	187
Income taxation revenue	**242,412**	**242,238**	**-174**
Sales taxes			
Goods and services tax	50,220	50,313	93
Wine equalisation tax	730	716	-14
Luxury car tax	430	432	2
Total sales taxes	51,380	51,462	82
Excise duty			
Petrol	6,000	6,079	79
Diesel	8,610	8,640	30
Beer	1,950	1,958	8
Other excisable products(b)	9,030	9,033	3
Of which: Other excisable beverages(c)	900	914	14
Total excise duty revenue	25,590	25,710	120
Customs duty			
Textiles, clothing and footwear	680	676	-4
Passenger motor vehicles	920	892	-28
Excise-like goods	5,660	5,458	-202
Other imports	1,540	1,500	-40
less: Refunds and drawbacks	330	354	24
Total customs duty revenue	8,470	8,172	-298
Carbon pricing mechanism(d)	7,540	6,535	-1,005
Other indirect taxation			
Agricultural levies	463	476	12
Other taxes	2,871	2,730	-141
Total other indirect taxation revenue	3,335	3,206	-129
Indirect taxation revenue	**96,315**	**95,085**	**-1,229**
Taxation revenue	**338,727**	**337,323**	**-1,403**

Table 4: Australian Government general government sector (accrual) revenue (continued)

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Sales of goods and services	8,757	8,886	129
Interest	3,764	3,646	-119
Dividends	2,429	3,079	650
Other non-taxation revenue	6,284	7,226	942
Non-taxation revenue	**21,234**	**22,836**	**1,602**
Total revenue	**359,961**	**360,160**	**198**
Memorandum:			
Medicare levy revenue	*9,720*	*9,788*	*68*

(a) Comprises gross revenue from the PRRT and MRRT. Net revenue from the MRRT was $0.2 billion in 2012-13, which represents the net impact across different revenue heads. These include offsetting reductions in company tax (through deductibility) and interactions with other taxes.

(b) Tobacco figures are not separately reported because of taxpayer confidentiality. Since the 2013-14 Budget was published, legislation has been passed that allows for separate reporting of tobacco figures. As the legislation was not retrospective, this does not apply to the 2012-13 outcome.

(c) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(d) Tax revenue includes carbon accrual revenue measured at the legislated price, with details of the accounting treatment of carbon revenue set out in Note 2 to the General Government Sector Financial Statements.

Expenses and net capital investment

Total expenses were $382.6 billion in 2012-13, $1.2 billion higher than estimated at the 2013-14 Budget. Total net capital investment for 2012-13 was $987 million, $2.2 billion higher than the estimate of -$1.2 billion at the 2013-14 Budget. In comparison, cash payments (excluding Future Fund payments) were $366.8 billion in 2012-13, broadly in line with estimates at Budget.

The difference between the higher than estimated net outcome for expenses and net capital investment of $3.4 billion and the outcome for cash payments includes:

- revenue from the May 2013 Digital Dividend spectrum auction ($2.0 billion) to be recognised in 2014-15 when spectrum licences are issued to successful bidders, rather than at the time of sale in 2012-13, following further advice from the Australian National Audit Office;
- the provision of GST to the States and Territories, reflecting higher than estimated GST collections ($361 million);[1]
- increased accrued expenses in relation to unclaimed monies from banking institutions ($337 million), reflecting an expected increase in future claims as a result of higher than expected returns of unclaimed monies; and
- the forgiveness of South Australian Government housing debt ($283 million), subsequent to the 2013-14 Budget, as published in the 2013 Economic Statement.

Further information on expenses by function and sub-function are provided in Appendix A.

1 There will be differences in the amount of GST received and GST paid to the States and Territories, reflecting timing of payments between financial years and other adjustments (see Part 3, Table 30).

Table 5: Australian Government general government sector expenses by function

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
General public services			
Legislative and executive affairs	1,021	959	-61
Financial and fiscal affairs	7,749	7,843	94
Foreign affairs and economic aid	5,896	5,796	-100
General research	2,639	2,651	12
General services	683	759	76
Government superannuation benefits	7,567	7,947	380
Defence	21,122	21,146	24
Public order and safety	4,028	3,923	-105
Education	28,411	28,468	56
Health	62,249	61,302	-947
Social security and welfare	132,388	131,901	-487
Housing and community amenities	6,898	6,766	-131
Recreation and culture	3,641	3,625	-16
Fuel and energy	6,168	5,954	-214
Agriculture, forestry and fishing	2,605	2,407	-198
Mining, manufacturing and construction	2,267	2,920	653
Transport and communication	5,002	5,023	20
Other economic affairs			
Tourism and area promotion	181	190	9
Total labour and employment affairs	4,271	4,156	-115
Immigration	3,575	3,533	-42
Other economic affairs nec	2,337	2,752	414
Other purposes			
Public debt interest	12,209	12,521	312
Nominal superannuation interest	6,778	6,729	-49
General purpose inter-governmental transactions	51,160	51,480	320
Natural disaster relief	1,894	1,893	-1
Contingency reserve	-1,301	0	1,301
Total expenses	**381,439**	**382,644**	**1,205**

Table 6: Australian Government general government sector net capital investment by function

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
General public services	350	358	8
Defence	1,439	1,841	402
Public order and safety	130	21	-109
Education	17	24	7
Health	45	-17	-62
Social security and welfare	-33	33	66
Housing and community amenities	17	-95	-112
Recreation and culture	45	-10	-55
Fuel and energy	-5	4	9
Agriculture, forestry and fishing	123	287	164
Mining, manufacturing and construction	21	2	-19
Transport and communication	-3,495	-1,481	2,014
Other economic affairs	141	20	-122
Other purposes	-6	0	6
Total net capital investment	**-1,212**	**987**	**2,199**

NET DEBT, NET FINANCIAL WORTH AND NET WORTH

At the end of 2012-13, the level of Australian Government net debt was $153.0 billion (10.1 per cent of GDP), $8.6 billion lower than estimated at the time of the 2013-14 Budget.

The decrease in net debt compared to the level expected at Budget was primarily driven by a decrease in the market value of the existing stock of Commonwealth Government Securities (CGS) on issue, owing to higher than expected yields. CGS are reported in the general government sector balance sheet in market value terms, consistent with the Australian Accounting Standards. Increases in the value of investments held by the Future Fund and term deposits held with the Reserve Bank of Australia have also contributed to the lower than expected net debt.

- Net financial worth was -$312.7 billion at the end of 2012-13, compared with -$271.4 billion estimated at the 2013-14 Budget.

- Net worth was -$202.7 billion at the end of 2012-13, compared with -$161.1 billion estimated at the 2013-14 Budget.

The change in the market value of CGS described above also impacts on net financial worth and net worth. In addition to this, changes to net financial worth and net worth since the Budget reflect a significant increase in the Government's superannuation liability. This is the result of a large difference between the long-term discount rate used in the Budget (6.0 per cent per annum) and the actual bond rate as at 30 June 2013 (4.3 per cent per annum) used to value the superannuation liability. The use of two different rates is the usual practice, applied in previous Budgets and Final Budget Outcomes.

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

	2012-13 Estimate at 2013-14 Budget $b	2012-13 Outcome $b	Change on 2013-14 Budget $b
Financial assets	242.2	250.8	8.6
Non-financial assets	110.3	110.1	-0.2
Total assets	**352.5**	**360.9**	**8.4**
Total liabilities	**513.6**	**563.5**	**49.9**
Net worth	**-161.1**	**-202.7**	**-41.5**
Net financial worth(a)	**-271.4**	**-312.7**	**-41.3**
Per cent of GDP	-17.8	-20.7	
Net debt(b)	**161.6**	**153.0**	**-8.6**
Per cent of GDP	10.6	10.1	
Net interest payments	**8.2**	**8.3**	**0.0**
Per cent of GDP	0.5	0.5	

(a) Net financial worth equals total financial assets minus total liabilities.
(b) Net debt equals the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.