

Real Estate Institute of Australia Budget Overview 2010/11

Please note: the information below has been extracted from the following documents: BUDGET STRATEGY AND OUTLOOK (BUDGET PAPER NO.1), BUDGET MEASURES (BUDGET PAPER NO.2) and AUSTRALIA'S FEDERAL RELATIONS (BUDGET PAPER NO.3).

Housing and Community Amenities

The housing and community amenities function includes the Australian Government's contributions to the National Affordable Housing Agreement, other Australian Government housing programs, the expenses of Defence Housing Australia (DHA), and various regional development and environmental protection programs.

Table 10: Summary of Expenses – housing and community amenities

	Estimates			Projections	
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-2014 \$m
Housing	7,974	4,140	3,284	3,297	3,332
Urban and regional development	346	425	168	173	170
Environmental protection	950	867	760	703	672
Total housing and community amenities	9,270	5,432	4,212	4,173	4,174

Housing sub-function expenses are expected to decrease from \$8.0 billion estimated in 2009-10 to \$4.1 billion in 2010-11, with a further decrease to \$3.3 billion in 2011-12. This is mainly due to the phasing down of the housing initiatives introduced as part of the Government's response to the global financial crisis with the Economic Security Strategy and the Nation Building and Jobs Plan. These include:

- The cessation of the first home owners boost, which was extended as part of the 2009-10 Budget and provided an additional grant for eligible first home buyers entering into contracts on or before 31 December 2009.
- Investment in Social Housing, announced as part of the Nation Building and Jobs Plan, which provided funding for additional public and community housing dwellings to meet priority social housing needs. This program is projected to decrease from \$3.8 billion in 2009-10 to \$1.3 billion in 2010-11 and then to \$162 million in 2011-12.

Residential Mortgage-Backed Securities

Developments in international capital markets since mid-2007 led to the dislocation of the Australian residential mortgage-backed securities (RMBS) market. In view of these developments, in October 2008 the Government directed the Australian Office of Financial Management (AOFM) to invest \$8 billion in high-quality AAA-rated Australian RMBS to support competition in residential mortgage lending from smaller lenders.

In October 2009, the Treasurer announced that the Government would extend the program to invest an additional \$8 billion to support competition in the mortgage market. The objectives of the program were also extended to include support for lending to small business. As a result, lenders who seek support under the RMBS program are encouraged to outline their lending activities to small business and to allocate part of the proceeds to these loans. It is expected that about 10 per cent of the funds raised by lenders so far during this second investment phase will be lent to small business.

Investor sentiment towards investment in RMBS improved over the course of 2009 and the first quarter of 2010. The private sector's contribution to RMBS transactions supported by the Government increased from around 20 per cent towards the end of 2008 to around 80 per cent in the first quarter of 2010.

However, the RMBS market continues to be affected by the fallout from the global financial crisis. The Government will continue to monitor market conditions and the impact of the program in assessing whether further support is required.

Capital Protected Borrowings – Change to Benchmark Interest Rate

Revenue (\$m)		2009-10	2010-11	2011-12	2012-13	2013-2014
Australian Office	Taxation	-2.0	-4.0	-6.0	-8.0	-8.0

The Government will adjust the benchmark interest rate that applies to capital protected borrowings to the Reserve Bank of Australia (RBA) indicator rate for standard variable housing loans plus 100 basis points, instead of the RBA indicator rate for standard variable housing loans as announced in the 2008-09 Budget. The measure will apply to capital protected borrowings entered into from 7:30 pm (AEST) 13 May 2008. This measure has an ongoing cost to revenue, estimated to be \$28 million over the forward estimates period.

The Government will also extend the transitional arrangements for capital protected borrowings entered into at or before 7:30 pm (AEST) 13 May 2008 from the announced 13 May 2013 to 30 June 2013.

The adjusted benchmark interest rate better reflects the additional credit risk borne by lenders for the cost of capital protection that is paid on a deferred basis. Lifting the benchmark interest rate by 100 basis points will allow borrowers to allocate a smaller proportion of the expenses on the borrowings to the cost of capital protection, which is not deductible if on capital account.

Extending the current treatment for capital protected borrowings entered into on or before 7:30 pm (AEST) 13 May 2008 from 13 May 2013 to 13 June 2013 will reduce compliance costs for affected taxpayers in the 2012-13 income year.

GST – Reforms to the GST Margin Scheme

The Government will restructure the margin scheme provisions to clarify and simplify the current provisions, with effect from 1 July 2012. The Government will also make a minor technical amendment to ensure that a valuation can be obtained for the purposes of using the margin scheme for subdivided land. This measure has no revenue impact.

National Disability Strategy

The Government will provide \$6.2 million over four years to establish a policy coordination and secretariat unit within the Department of Families, Housing, Community Services and Indigenous Affairs to further develop and implement the National Disability Strategy. The unit will engage stakeholders; develop action plans; establish governance arrangements to negotiate and implement the National Disability Strategy with the states and territories, and; ensure robust reporting on outcomes achieved.

COAG Reform Council – Review of Capital City Strategic Planning Systems

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-2014
Department of the Prime Minister and Cabinet	0.4	0.7	0.3	-	-

The Government will provide \$1.5 million over three years for the Council of Australian Governments (COAG) Reform Council to independently review the consistency of capital city strategic planning systems with the new national criteria.

This funding meets the Australian Government's commitment to provide half the funding for the Reform Council, with the states and territories to provide the remaining funding.

Implementation of Unfair Contract Terms Provisions of the Australian Consumer Law

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-2014
Australian Competition and Consumer Commission	0.6	1.2	1.2	1.2	1.2

The Government will provide \$5.3 million over five years (including \$0.6 million in 2009-10) to deliver guidance on, and enforce compliance with, the unfair contract term provisions of the first tranche of the *Australian Consumer Law* (ACL). The ACL rationalises consumer laws and enhances the protection of consumers.

This measure supports the implementation of one of the 27 deregulation priorities under the Council of Australian Governments' *National Partnership Agreement to deliver a Seamless national Economy*.

Stronger, Fairer, Simpler Tax Reform – Development and Implementation

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-2014
Department of the Treasury	8.1	41.5	10.3	5.2	-
Australian Taxation Office	0.3	1.4	-	-	-
Office of Parliamentary Counsel	-	0.5	1.1	1.1	1.1
Total	8.4	43.4	11.4	6.3	1.1

The Government will provide \$65.0 million over four years to the Department of the Treasury to develop and implement the Government's response to the recommendations of *Australia's Future Tax System Review*, including \$38.5 million over two years to inform the community of the Australian Government's tax reform agenda. Additional funding of \$1.7 million over two years is provided to the Australian Taxation Office to increase staffing in its call centre.

The Government will also provide \$3.8 million over four years to the Office of Parliamentary Counsel to meet increased demand for legislative drafting.

Stronger, Fairer, Simpler Tax Reform – Infrastructure Fund

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-2014
Department of Treasury	-	-	-	700.0	735.0

The Government will provide funding to establish an infrastructure fund to coincide with the introduction of the Resource Super Profits Tax on 1 July 2012. The Infrastructure Fund will commence with an initial amount of \$700 million in 2012-13. The total will grow over time.

This infrastructure fund will be distributed in a manner which recognizes that resource-rich States face large associated infrastructure demands. The final details of the infrastructure fund will be discussed with the States.

National Affordable Housing SPP

The National Affordable Housing SPP in the funding associated with the *National Affordable Housing Agreement*. The Commonwealth will provide \$6.2 billion over five years from 2009-10 to the States as a financial contribution to support state services in the housing sector.

This funding will be used to support a range of measures including social housing assistance to people in the private rental market, support and accommodation for people who are homeless or at risk of homelessness, and home purchase assistance.

