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# Budget Brief F2011

[www.propertyoz.com.au/Budget2010](http://www.propertyoz.com.au/Budget2010)

Metric	F2010 (actual)	F2011 (est.)	F2012 (forecast)
Economic growth	2.0%	3.25%	4.0%
Inflation	3.25%	2.5%	2.5%
Unemployment	5.25%	5.0%	4.75%
Surplus / deficit	-\$57.1 billion	-\$40.8 billion	-\$13.0 billion
Dwelling investment	3% growth	7.5% growth	4% growth
Investment in non-dwelling construction	-7% growth	8% growth	14.5% growth

## Executive Summary

The F2011 Federal Budget is relatively frugal compared to previous years.

Key features include infrastructure funding, tax cuts, and a Renewable Energy Fund, with some new expenditure on planning and regulatory reform and the development of a population policy.

Here is a summary of the budget highlights – please go to [www.propertyoz.com.au/Budget2010](http://www.propertyoz.com.au/Budget2010) for a detailed analysis.

### 1.0 Nation Building and Growth

- A \$5.6b infrastructure fund to invest in nation building spending over the coming decade, including a \$700m initial contribution to be paid in F2013 and \$735m in F2014;
- More than \$1b for the Australian Rail Track Corporation to enhance freight rail services;
- \$355m to upgrade and build GP Super Clinics;
- Funding for a review of capital city strategic planning systems and a national population strategy; and
- Private infrastructure investors will benefit from discounts on bond interest income.

### 2.0 Housing Affordability/Retirement Infrastructure

- Common sense changes to the First Home Saver Accounts; and
- \$145m over four years in zero interest loans to improve retirement accommodation opportunities.

**The Voice of Leadership**

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### 3.0 Capital Markets and Managed Investment Trusts

- Corporate tax rates reduced to 28% by 2015, with an early start for small business;
- The Government has committed to raise the superannuation guarantee charge to 12%, which will increase the savings pool available to property funds;
- A bold new tax regime for Managed Investment Trusts – for more information, see [www.propertyoz.com.au/MIT](http://www.propertyoz.com.au/MIT);
- ASIC-approved, simpler and more efficient bond-raising documentation and prospectuses;
- As part of the Government's strategy to increase banking competition, it has committed to reducing interest withholding tax for financial institutions;
- Distribution withholding tax will be reduced to 7.5% from 1 July 2010 – this benefit will now encompass wholesale and state-operated funds;
- A savings boost: 50% discount on interest earned on deposits, bonds, debentures and annuity products, with various strings attached;
- Improved capital allowance regime with instant asset write-off and simplified asset pools for small business;
- The Board of Taxation has been charged with removing barriers to Islamic finance;
- \$24.1m to establish a Centre for International Finance and Regulation (CIFR) as a regional centre for excellence; and
- Creation of a taskforce to progress an Asia Region Funds Passport.

### 4.0 Climate Change and Environment

- \$652.5m over four years for a Renewable Energy Future Fund, which will specifically encompass building energy efficiency and small-scale renewable energy projects, such as co/tri-gen; and
- A \$109m redesigned Green Loans Program for sustainability audits and energy efficiency improvements in homes.

### 5.0 Skills

- A \$661m Skills for Sustainable Growth Strategy to increase training places, including \$200m for a critical skills investment fund focusing on the construction sector.

### 6.0 Technical/Other issues

- Capital Gains Tax rollover measures which allow trusts to restructure, making it easier for takeovers and mergers using scrip for scrip.
- GST amendments:
  - clarify the structure of the margin scheme rules and put in place common sense reforms that allow proper valuation of subdivisions; and
  - tighten rules to make it harder to claim reduced input tax credits on trustee fees which could increase GST costs – we are looking very closely at this proposed measure .

*For detailed analysis and further information go to [www.propertyoz.com.au/Budget2010](http://www.propertyoz.com.au/Budget2010)*

*For a detailed critique of the Henry Tax Review go to [www.propertyoz.com.au/Henryreview](http://www.propertyoz.com.au/Henryreview)*

*For a detailed critique of the Managed Investment Trusts initiative go to [www.propertyoz.com.au/MIT](http://www.propertyoz.com.au/MIT)*

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