

The South Australian 2015-16 Budget

June 2015

On 18 June 2015, South Australian Treasurer the Hon Tom Koutsantonis MP delivered the 2015-16 Budget. The main theme of the Budget is major tax reform, resulting in almost \$670 million in tax reductions.

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The Budget Outlook

In the Budget speech, Treasurer Koutsantonis announced that the South Australian Government is undertaking comprehensive tax reform measures in order to create and maintain jobs and build enterprises, while attracting business investment.

As forecast in the 2014-15 Budget review, the 2015-16 net operating balance is estimated to be in surplus by the end of forward estimates. A net operating deficit is still expected in 2014-15, before the budget returns to a \$43 million surplus in 2015-16. Surpluses are then expected to continue across the forward estimates reaching \$961 million in 2018-19.

Table 1.2 provides the outcome for the fiscal targets based on the 2015-16 Budget estimates.

Table 1.2: Fiscal targets outcomes — 2015-16 Budget estimates

	2014-15 Estimated Result	2015-16 Budget	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate
Target 1: net operating balance surplus					
Target	To be in surplus by the end of the forward estimates				
2015-16 Budget estimate (\$m)	- 279	43	654	727	961
Target 2: operating expenditure growth					
Target (%)	n.a.	<4.5%	<4.5%	<4.5%	<4.5%
2015-16 Budget estimate (%)	2.0%	1.8%	1.9%	2.9%	2.5%
Target 3: net debt to revenue ratio					
Target (%)	<35%	<35%	<35%	<35%	<35%
2015-16 Budget estimate (%)	24.9%	24.8%	36.2%	33.5%	29.9%



Key Economic Indicators

The Budget forecasts Gross State Product (GSP) to increase by 2 per cent in real terms in 2015–16, following expected growth of 1.75 per cent in 2014–15.

South Australian employment growth is expected to be 1 per cent per annum in 2015–16 through to 2017–18 before rising to 1.25 per cent in 2018–19.

Employment, GSP and State Final Demand SFD forecasts include an allowance for automotive manufacture and related supply chain closures by 2017.

The South Australian Consumer Price Index (CPI) is anticipated to be 2.5 per cent across the forward estimates.

Savings Measures

The South Australian Government has implemented savings measures each year since the 2010-11 Budget. Further savings are to be made across the forward estimates, mostly due to the continuation of previously approved efficiency dividends.

No new efficiency dividends have been applied to agencies in the 2015–16 Budget. The 2015–16 tranche of procurement savings (\$35 million) announced in last year's budget has been allocated to agencies.

The remaining savings task from 2016–17 will be allocated to agencies during 2015–16.

The water planning and management cost recovery target introduced in the 2010–11 Budget has been reduced by around \$14 million per annum.

Expenditure

New expenditure within the Budget is focussed on stimulating the economy through promoting business investment, trade and tourism. This includes building on the Our Jobs Plan funding to encourage job creation and skill development in northern Adelaide as it transitions through the planned closure of GM Holden in 2017.

New operating and investing initiatives in the 2015–16 Budget total \$686.5 million over the next four years (in addition to \$56.6 million in 2014–15). These are partially offset by \$74.6 million over four years (in addition to \$15 million in 2014–15) of savings and offsets.

Tax Reform Package

The centrepiece of the South Australian Budget is a comprehensive state tax reform. The reforms seek to provide businesses and families with tax reductions amounting to almost \$670 million over the next four years. The reforms have been made in response to the State Tax Review and does not include any new taxes.

The South Australian Government plans to:

- abolish share duty
- abolish stamp duty on non-real property transfers including non-fixed plant and equipment
- expand the stamp duty concession for exploration tenements to include retention tenements, and
- expand the eligibility criteria for corporate reconstruction relief.

As of 1 July 2015, the South Australian Government plans to:

- abolish the Save the River Murray Levy; saving households \$40 and business \$182 per year respectively
- introduce the cost of living concession for pensioners and low-income earners
- offer a small business payroll tax rebate
- increase the land tax thresholds by around 2.5 per cent
- introduce conveyance duty and land tax exemptions for principal residential properties transferred into Special Disability Trusts for no consideration, and
- abolish the Hindmarsh Island Bridge Levy.

From the date of assent of amended legislation the South Australian Government plans to:

- amend the *Stamp Duties Act 1923* to:
 - expand the stamp duty exemption for farms transferred between family members
 - extend the definition of family groups in the *Stamp Duties Act 1923* to include de facto couples
 - replace the stamp duty ex-gratia relief administrative schemes for disability service providers, incapacitated persons and property donations to charities with legislative exemptions
 - amend the *Motor Vehicles Act 1959* to replace a registration fee ex-gratia relief administrative scheme for vehicles used to transport incapacitated minors with legislative relief, and
 - amend the *Taxation Administration Act 1996* to only require 50 per cent of the tax in dispute to be paid before an appeal can be lodged.
 - From 1 July 2016 we will reduce by a third the stamp duty on non-residential real property transfers with a further third reduction of stamp duty on non-residential real property transfers on 1 July 2017.

On July 1 2018 the South Australian Government plans to:

- abolish stamp duty on non-residential real property transfers
- abolish stamp duty on transfers of units in unit trusts, and
- abolish stamp duty on transfers of mining licences and tenements.

Infrastructure and Jobs

The 2015-16 Budget allocates funding towards new infrastructure projects, with an investment program of \$10.8 billion over four years. The South Australian Government has committed to spending at least \$1.3 billion per year on infrastructure within the general government sector. Such projects include:

- \$3.3 billion towards health facilities, including NRAH.
- \$1.4 billion towards road projects.
- \$353 million towards public transport.
- \$216 million towards education facilities.
- \$197 million towards the Adelaide Festival Centre Precinct.
- \$1.7 billion towards water infrastructure.
- \$65 million towards public housing refurbishment and construction of public housing stock.

The South Australian Government has also announced that 4689 jobs will be created through government infrastructure spending. This includes:

- 1810 jobs in the construction industry
- 1390 jobs in the road and rail industry
- 985 jobs in the water supply infrastructure industry
- 504 jobs in the health industry

Education

The South Australian Government has expressed its commitment to education and early childhood development by allocating funding to building children's centres and upgrading infrastructure at disadvantaged schools across Adelaide. Funding for this includes:

- \$50 million over three years to fund these initiatives.
- \$10 million of this funding allocated to upgrading schools and early years facilities in Northern Adelaide.

The Department for Education and Child Development will hold consultations with local communities to determine the scope of the projects.

Health

The South Australian budget includes an investment of \$260.8 million rebuild of South Australia's health system. These initiatives include:

- \$159.5 million at the Flinders Medical Centre for a new 55-bed rehabilitation centre, a new older persons mental health service and new multi-level car park.
- \$32 million at Modbury Hospital to develop a new dedicated eye clinic, a new hydrotherapy pool and more than double rehabilitation beds .
- \$20.4 million at the Queen Elizabeth Hospital to add an additional level to the Allied Health and Rehabilitation Building, a new hydrotherapy pool and on-ward gyms.
- \$16.1 million for more ambulance vehicles and ambulance stations.
- \$15.1 million for a new Post Traumatic Stress Centre of Excellence.
- new investments in both the Southern and Northern suburbs with improvements to the Noarlunga and Lyell McEwin hospitals.

The South Australian Government has also allocated \$4.8 million towards replacing mechanical stretchers and handling units in all South Australian Ambulance Service vehicles.

Furthermore, the South Australian Health and Medical Research Institute (SAHMRI) will be allocated an additional \$5.1 million to support the work of current employees and to create new industries and new jobs.

Justice

The 2015-16 Budget includes an increase at \$85.1 million towards justice reforms. These initiatives include:

- \$7.4 million over five years towards removable vehicle-based electronic data entry devices.
- \$28.6 million to operate an additional 84 prisoner beds at Mt Gambier Hospital.
- \$20.7 million to operate a 26 bed high dependency unit at Yatala Labour prison.
- \$5.9 million over the next four years to provide body-worn video devices for frontline police.
- \$20.3 million towards an electronic case management system within the courts.
- \$2.2 million towards a new prosecution management system.

Tourism

The 2015-16 Budget allocates almost \$50 million in funding to drive jobs and growth in tourism and events. The South Australian Government will allocate \$35 million over two years to promote the State to local and international markets including:

- \$15 million for the State Government's bid fund, with \$ 5million to secure conventions and \$10 million to secure new events.



- \$14 million to grow tourism marketing opportunities in China, India and South East Asia as well as traditional markets of the UK, Europe, the US and New Zealand.
- \$6 million towards marketing campaigns to promote Adelaide and regional tourism experience to within Australia.

Over the next four years the State Government has allocated

- \$6 million to further promote the Santos Tour Down Under (TDU).
- \$5.7 million towards “Destination Adelaide,” a campaign that seeks to further market South Australia to international students.
- \$2 million to establish the Adelaide Fashion Festival, with a renewed focus on Asian markets.

Further information

The South Australian Treasurer’s 2014–15 Budget speech is available [here](#).

The 2014–15 South Australian Budget is available in full [here](#).