

# 2015-16 STATE BUDGET

## **Budget Speech**

2015-16 Budget Paper 2



Government of  
South Australia



# 2015–16

# BUDGET

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# Budget Speech 2015–16

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*Delivered on 18 June 2015, on the second reading of the Appropriation Bill 2015,  
by the Honourable Tom Koutsantonis MP, Treasurer of South Australia.*

Mr Speaker, this government is embarking on the most comprehensive state tax reform in South Australia's history.

Jobs are the centre piece of our reform package.

Our reforms create jobs, maintain jobs and build the enterprises that create careers.

Our tax reform package is about rewarding activity, the doers, the risk takers, the small business owners, entrepreneurs, our miners and explorers, the start-ups, new and long established family businesses, our farmers and primary producers, our retailers, our developers, our service industry, corporates large and small and most importantly our manufacturers.

Every single business and enterprise in South Australia whether, big or small, can benefit from these changes.

This government's tax reform, stands our state out as a beacon for business investment.

No other state has embarked on such a comprehensive reform.

It is about recognising that as a nation the next wave of productivity will not come from Federal reform but will be driven by improved productivity coming from state-based reform.

The genesis of this strategy began long ago; it is based on a well-reasoned and deliberate strategy of giving South Australians the tools they need to carve out our own future, to stand on our own two feet and to grow our economy.

Our aim is to create an efficient tax system that rewards effort, minimises the harm to the economy and incentivises investment decision making by businesses by removing destructive transactional taxes.

South Australia faces serious challenges — these challenges have not suddenly presented themselves over the last few weeks, but over a period of time.

The failure of the Federal Government to invest in our automotive industry, the uncertainty over the future of our submarines and frigates build, the high Australian Dollar over a prolonged period of time, lower commodity prices and cuts to spending by the Commonwealth in the areas of health, education, training and infrastructure have all had an impact on the economy.

However, in a positive sign the most recent Commonwealth Budget had a good small business package, the exchange rate is dropping and commodity prices are stabilising. However, unemployment remains unacceptably high.

These reforms do have a cost to the budget, but with prudent and sensible decisions our budgets will return to balance, providing budget surpluses giving our community and business the confidence that our state finances can manage this once in a generation tax reform.

It is a difficult task, but we welcome the challenge.

We must lower the cost of doing business in South Australia and unlock the entrepreneurial spirit that has grown this state, helping South Australian business invest and grow.

Over the next four years this government will invest almost \$985 million in supporting job creation through reforming our tax system and investing in new and growth industries.

Mr Speaker, the 2015–16 Budget delivers a new state tax system, support for Northern Adelaide following the closure of Holden; and provides an economic stimulus through strategic investments in health, education, community safety, the vulnerable and our regions.

Importantly we return the budget to balance, delivering a surplus from 2015–16 through continued expenditure restraint while taking prudent steps to invest in our community, create jobs and protect the most vulnerable.

In total, almost \$670 million in tax reductions will be returned to businesses and families over the next four years reducing the costs of doing business.

These reforms include ongoing reductions of more than \$268 million per year from 2018–19.

Mr Speaker, over the next decade these tax reforms will return almost \$2.5 billion to businesses and the community.

Beginning today we ask the Parliament to support the government's 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 we will:

- 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 — protecting the most vulnerable in our community
- 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 we will:

- 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 we will:

- 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.

Mr Speaker, our reform package over the next four years will abolish eight taxes.

Over the next four years, almost \$670 million will have been provided in tax reductions to businesses and families in this state.

Putting back more than \$268 million per year from 2018–19 into the pockets of our households and businesses.

All with no new taxes — no tolls on our roads, no tax on foreign investment and no broad-based land tax on the family home.

There is no better example of our commitment to lowering business costs than the difficult reforms the government took to the last election in relation to WorkCover. Those reforms, with the help of the opposition, passed the parliament and will become a reality from 1 July 2015.

South Australian businesses will save close to \$180 million per year from the government's changes to the WorkCover scheme.

This is yet another decision that was taken in the long-term interest of the state by a government that has a long term vision for a better future.

Since coming to office this Labor Government has already:

- cut the payroll tax rate from 5.67 per cent to 4.95 per cent and increased the tax-free threshold from \$504 000 to \$600 000
- increased the tax-free threshold for land tax from \$50 000 to \$323 000 along with changes to other land tax brackets and rates
- introduced annual indexation of land tax thresholds which provides ongoing relief to land owners
- abolished mortgage duty, debits tax, cheque duty and lease duty
- introduced a stamp duty concession of up to \$15 500 for eligible purchases of off-the-plan apartments
- introduced a Seniors Housing Grant of up to \$8500 for people over 60 years of age who want to right-size their principal place of residence and purchase a new home to live in, and
- significantly increased the level of household concessions available to eligible South Australians — protecting the most vulnerable in our community.

Extending the small business payroll tax rebate to 2015–16 will mean that around 2200 employers will receive payroll tax relief of up to \$9800.

On average only 10 per cent of South Australian businesses pay payroll tax, over 130 000 small businesses in South Australia do not pay payroll tax.

Even without the payroll tax concession offered in this budget, South Australia's payroll tax regime remains the lowest taxing effort in the nation.

However, Mr Speaker, tax reform alone cannot achieve our goals.

We can no longer rely on the support of the Commonwealth in sustaining our car industry, our defence industry or the renewable energy sector.

We cannot rely on others — we must create a truly international economy that engages with the rest of the world.

Our future is not limited to the growth of local businesses alone, but in our ability to attract new businesses and investment to our state.

We will commit \$15 million to fund and secure new investment in South Australia, through the provision of targeted assistance to support the attraction of new businesses and the development of key industries within the state.

We make no apology for this strategy. This government will invest to attract new head offices of national and international companies to South Australia, invest in new growth industries and aggressively pursue more private capital investment, foreign or domestic.

Our efforts must not only continue to support the emergence of new industries and new businesses but also support important growth industries such as tourism and education for international students.

Tourism contributes \$5.2 billion and 32 000 jobs to the SA economy and is growing.

It has the potential to deliver \$8 billion by the end of the decade.

Nearly a billion dollars is being spent upgrading infrastructure and facilities like the Adelaide Oval, the Convention Centre and the Riverbank development and attracting and supporting events that bring people, investment and jobs to South Australia.

This budget includes a \$50 million package to drive jobs and growth in tourism and events.

At the heart of our package is an unprecedented spend to promote South Australia to key international markets, secure new major events and conferences and create thousands of tourism-related jobs.

We will also further our investment in the state government's bid fund, with \$5 million allocated to secure conventions and \$10 million to secure new events.

The expanded fund will allow the state to secure and develop more major sporting, music and arts events and will generate significant economic benefits for our tourism industry and local small businesses, as well as creating and supporting hundreds of jobs throughout the state.

After all, who could understate the value of seeing the Liverpool Football Club live at Adelaide Oval.

Winning more conventions and events will ensure we exploit the full potential of the newly redeveloped and expanded Adelaide Convention Centre and Riverbank precinct, which includes our world-class Adelaide Oval.

This budget also commits \$4.3 million in 2015–16 to upgrade the Middleback Arts Centre in Whyalla, the Northern Festival Centre in Port Pirie, the Sir Robert Helpmann Theatre in Mount Gambier and the Chaffey Theatre in Renmark.

Mr Speaker, as the reality of climate change presents itself so is the increase in investments in renewables and clean tech industries.

Risks become opportunities.

We already lead the nation in the development of renewable energy generation, making up 39 per cent of electricity generation — on track toward our target of 50 per cent by 2025.

The next logical step is to place our city at the centre of this new investment by making our CBD carbon neutral.

Our plan is to make electric and hybrid vehicles the preferred mode of transport in our CBD, to create more green spaces and walls that reduce heat and improve energy efficiency, provide more renewable energy generation for use in the city, and attract and support hi-tech companies seeking to develop new technologies.

This is a long term vision that together we can achieve.

Mr Speaker, as the closure of Holden's Elizabeth plant in 2017 approaches, the state government will use all possible levers to support new and growth industries and stimulate the construction sector to protect and create jobs.

This state government will stand up for communities in need and do all it can to deliver a sustainable future for Northern Adelaide.

That is why on top of our tax reforms we are committing an additional \$1 million towards the development of a Northern Economic Plan which will focus on jobs creation and skill development which will now have a budget of \$5.4 million.

Other direct initiatives in the 2015–16 State Budget include:

- \$2 million to develop a Northern Food Park
- \$25 million to renew ageing social housing stock
- more than \$10 million over three years to upgrade schools and children's centres across Northern Adelaide, and
- \$55 million to build a new road for the Gawler East housing development — which industry estimates will unlock an additional 3000 homes, \$1 billion worth of investment, and create an additional 6000 residential construction jobs over the life of the project.

The Northern Economic Plan will deliver a vision, strategy and specific actions that support the industrial transformation of Northern Adelaide once the car manufacturing era comes to an end.

A new food park will also be developed, providing expansion opportunities for new and existing businesses that have outgrown their current premises.

The state-of-the-art industrial food park will build upon the success of food production in Northern Adelaide and enable food manufacturing businesses to access shared infrastructure and services buildings.

The development of these industries in Northern Adelaide will be greatly assisted by the significant suite of reforms laid out in the government's tax reform packages by the removal of impediments to transactions allowing businesses to invest, grow and create jobs.

Mr Speaker, this government remains committed to building a stronger South Australia.

In this budget we commit over a billion dollars this year on productive infrastructure underpinning long term job creation.

This government does not believe investing in infrastructure is a false economy.

We know public sector investment leverages private sector spend and creates real jobs for real people.

That is why this government has a long term plan and commits to a minimum spend of at least \$1.3 billion per year to create jobs and continue to build a stronger South Australia.

By the end of the forward estimates our investment will grow to \$1.5 billion dollars per annum.

Over the next four years, a \$10.8 billion program will fund projects in key areas including:

- \$3.3 billion in health — including our new Royal Adelaide Hospital
- \$1.4 billion on road projects
- \$353 million on public transport
- \$216 million on education facilities
- \$197 million on the Adelaide Festival Centre Precinct, and
- \$1.7 billion on water infrastructure.

The program will support almost 4700 jobs per year.

We are stimulating the economy by replacing outdated facilities that are no longer fit for purpose — creating jobs for South Australians and better facilities for our community.

Our commitment to education and those early developing years is reflected in the additional children's centres that will be built and schools upgraded across Adelaide as part of a \$50 million investment by the state government to stimulate local jobs.

The Department for Education and Child Development will consult with the local communities in the coming months to assess the particular needs of their students and determine the scope of the projects.

This government will also commit \$65 million to the South Australian Housing Trust for the refurbishment and construction of public housing stock creating 1600 jobs.

This investment includes \$20 million of additional funds as well as bringing forward funding totalling \$45 million from future years, further stimulating the sector.

As well as investing in key social infrastructure to grow jobs the budget includes more than \$165 million over four years for road infrastructure.

This stimulus package will boost productivity, improve safety on regional and suburban roads and support more than 400 jobs.

Funding for critical road maintenance and road safety works will deliver more than 185 projects across the state including upgrades to Happy Valley Drive, shoulder sealing along Yorke Highway, an upgrade of the Copper Coast Highway and works along Goodwood Road.

Many of the projects will start immediately with tenders to be issued in the coming weeks.

An extra \$70 million over four years for critical road maintenance is on top of the more than \$220 million already budgeted for maintenance works over the forward estimates and is in addition to \$572 million this state government is committing to upgrading South Road over the next four years.



We are spending more on justice, with an additional \$85.1 million in new initiatives for our police, courts and prisons.

And we are reforming the justice system to ensure it serves the community and delivers improved outcomes. As part of this, new funds have been committed for improvements to the IT system of our courts.

When this government came to office annual health spending was \$2.2 billion. By 2016 it will be \$5.3 billion.

To maintain a world-class health care system it needs continued reform and investment. That is why a \$260.8 million rebuild of South Australia's health system is a part of the Budget.

Investments 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, and
- new investments in both the Southern and Northern suburbs with improvements to the Noarlunga and Lyell McEwin hospitals.

\$4.8 million will also be invested in replacing mechanical stretchers and handling units in all South Australian Ambulance Service vehicles.

We will also invest an additional \$5.1 million to support the work of the 450 people who work at the South Australian Health and Medical Research Institute (SAHMRI) as part of our government's long term vision to create new industries and new jobs.

Mr Speaker, to date SAHMRI has brought to the state a total of \$70 million in grants over the past two years and the state government will continue to support the work they do.

The 2015–16 State Budget includes more than \$50 million for a range of reforms to improve and widen services for children at risk or in care.

Over \$20 million will go to reforms related to enhancing our foster-carer system and providing other positive alternatives to residential care for young people at risk.

Labor will always protect the most vulnerable in our community.

We stood up to Prime Minister Abbott and his \$30 million annual cut to South Australian pensioners.

We will always fight for and protect our most vulnerable citizens.

Mr Speaker, my parents are pensioners and like many in this place I have an electorate with a large number of older South Australians.

Many older South Australians who have spent their lives building this state now feel forgotten by their Commonwealth Government.

We will not leave pensioners and low income earners behind, the South Australian Government will legislate a new cost of living concession to replace the \$30 million in pensioner concessions cut by the Abbott Government.

The new cost of living concession will be introduced from 1 July 2015 to replace the council rate concession.

The new concession will provide an annual payment of \$200 to eligible pensioners and low income earners who own their own homes, \$100 for eligible pensioners and low income earners who are tenants and \$100 for self-funded retirees who hold a Commonwealth Seniors Health Card.

Under the expanded scheme 45 000 vulnerable households will receive support they did not have before.

Targeted to those most in need the concession will provide recipients with greater flexibility to use the concession towards key cost of living expenses whether that is electricity, gas and water bills or council rates.

The cost of living concession is estimated to cost \$36.5 million in 2015–16 and is in addition to the existing pensioner concessions available for water, electricity and the Emergency Services Levy.

Mr Speaker, many South Australians feel we are on our own. Feeling we have to fight for every bit of prosperity, every inch of it, be it the construction of 12 new submarines at Techport, the frigates build, the decision not to back Holden, getting more water down the River Murray or even our fair share of GST.

We cannot, however, ignore the significant impact the closure of the Alinta operations in Port Augusta and Leigh Creek will have on those communities and regional South Australia.

The loss of a coal mine and the closure of the coal fired powered electricity generation will have a significant impact.

We have heard claims about the end of the Whyalla and Port Augusta communities before — but these communities are resilient.

They are strong and like all great regional communities across South Australia they are willing and able to adapt to change.

As a government we must work with those communities affected to focus our effort and ensure together we create the jobs of the future.

This budget reduces the cost of doing business and open up new markets to create jobs.

South Australia must reward the risk takers, the entrepreneurs the small business owners across this state that seek to carve out a better future for themselves, their community and our state.

This budget redefines the relationship between government and business.

It redefines the timing and type of taxation we ask our enterprises to work within. From now on, our business and entrepreneurs will have a tax system that backs them to win.

I commend this budget to the House.

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**Department of Treasury and Finance**

State Administration Centre  
200 Victoria Square, Adelaide  
South Australia, 5000

GPO Box 1045, Adelaide  
South Australia, 5001

Telephone: +61 (08) 8226 9500

[www.treasury.sa.gov.au](http://www.treasury.sa.gov.au)



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