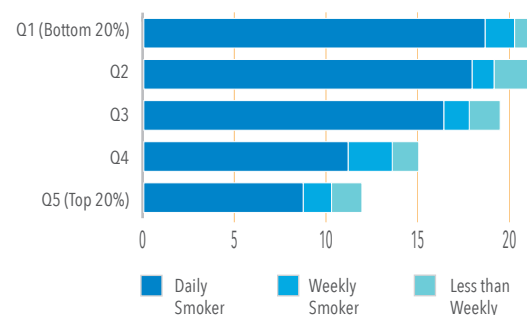


Tobacco Excise

Prevalence of Smoking by Equalvalised Disposable Income Among 18+



Using the latest data from the Household, Income and Labour Dynamics in Australia (HILDA) survey, around 17% of the adult Australian population are daily or casual smokers. The budget measure of raising the tobacco excise will likely affect 1 in 5 households in Australia, which consumes tobacco and has a median weekly expenditure of around \$60 on tobacco products. Such a measure will likely affect poorer households more than higher income, as the prevalence rate of smoking is higher when compared with the richer households. However, the behavioural response (stop smoking) may have a positive impact to the affected households in the long term due to

About the Model

The model used for estimating the impact of the 2016/17 budget reforms is a microsimulation model called STINMOD+. Microsimulation models apply the Commonwealth Government tax and transfer rules to data at the individual and household levels. This means complex government tax and transfer policies can be modelled, incorporating complex interactions between different policies. STINMOD+ is the successor of the original STINMOD model, widely used since the mid 1990's by the Commonwealth government agencies. The new model STINMOD+, has incorporated many new modelling techniques and has improved its methodology, efficiency and the maintainability of the original STINMOD model.

STINMOD+

Data used in this work is derived from multiple sources, including ABS Survey of Income and Housing, Household Income and Labour Dynamics of Australia, ATO Taxation Statistics - Individual sample files, ABS Labour Force Survey and other statistics published by ABS. All numbers presented are preliminary 2016 estimates, assuming the increases in income and wealth are similar to recent years and may be subject to revisions. These estimates may be different from the actual characteristics of the population because of sampling and non-sampling errors in the microdata, and because of the assumptions underlying the modelling techniques. The microdata used does not contain any information that enables identification of the individuals or families to which they refer.

Statement of Independence

NATSEM has not received any funding for the modelling of the 2016/17 budget - all modelling conducted by NATSEM for the budget 2016 has been funded internally by the University of Canberra as a service to the Australian community. NATSEM has no affiliation with any political party.

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<http://www.natsem.canberra.edu.au/>

Independent Modelling of Federal Budget 2016-2017

NATSEM
at the University of Canberra

How does the budget affect us?

The 2016 Australian Federal Budget has been launched at a time of significant uncertainty. The Australian economy is currently characterised by a modest growth rate of 2.5%, falling business and consumer confidence, a cooling housing market and an increasing government deficit. Against all of this, levels of trust in government and politicians in Australia are at the lowest level since 1993. Only 5% of Australians trust in government. These are capricious times for delivering a budget that will launch an election. Among many announcements this year, the Treasurer particularly focused on "fixing" the tax system and "jobs and growth". NATSEM has independently modelled and analysed the impacts of some of the key measures in this booklet. How does the budget affect us?

For more information please visit our website at
<http://ausbudget.org>
or simply scan this QR-Code



Key Measures



Enterprise - The government has announced a range of tax concessions and other enterprise incentives and supports for corporates, start-ups and a more inclusive categorisation of "small business".



Tax System - The changes to the tax system includes lowered superannuation concessional contribution cap, a modest tax cut for mid-high income earners, and the tackling of tax avoidance by multinational corporations.



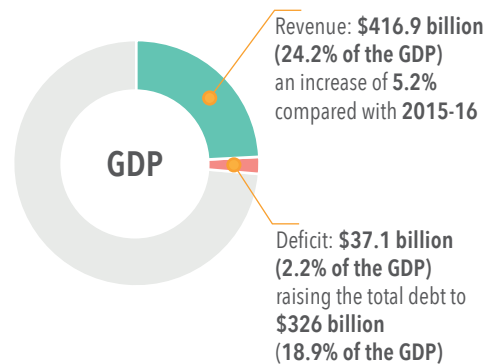
Fiscal Consolidation - The Budget expands on the fiscal consolidation measures initiated in the previous Budget through additional cuts to the Australian Public Service, the termination of certain programs and delays in the inception of programs.



Spending Measure - The Budget also reveals a few spending measures in defence, education, and infrastructure to further stimulate job creation.

Cost of the Budget

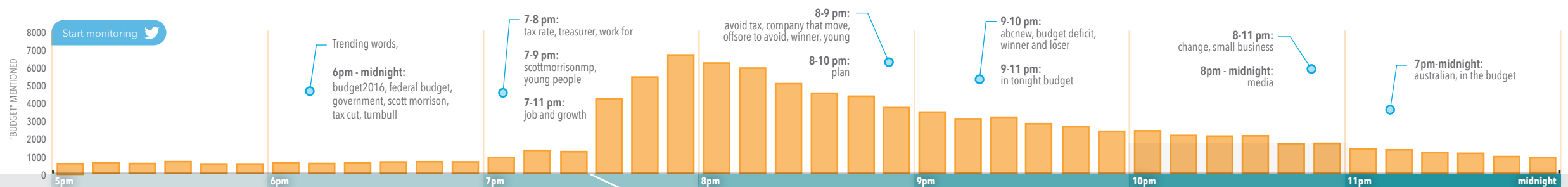
In the upcoming financial year (2016-17), the Commonwealth Government is expected to collect a total revenue of nearly \$417 billion, which is around 24.2% of the size of the economy (GDP) and is an increase of 5.2 per cent from 2015-16's total revenue. This is equivalent to around \$26,000, or nearly 17 weeks of full-time work with an average wage for everyone in the working age population (age 15 and 64). On the expenditure side, the Commonwealth government is expected to spend \$451 billion dollars over the next financial year, a 4.4% increase compared with 2015-16. This translates to an expected fiscal deficit of \$37.1 billion dollars (2.2% of the



GDP), raising the total government net debt to \$326 billion, which is about 18.9% of GDP.

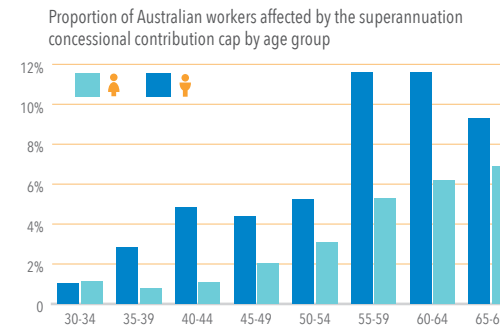
Social Media Trend

This year NATSEM monitored the reactions to the Budget announcement on Twitter. As shown below, more than 90,000 tweets posted between 5pm and midnight on the 3rd of May contain the word "budget", and there are more than 600 tweets per minute on this topic when the Treasurer's speech started. While some of these tweets may not be entirely related to the Australian budget given the global reach of Twitter, the spike in communications around the commencement of Treasurer Morrison's speech is unmistakable and largely driven by communications about the Australian budget. Between 7 and 9 pm of the budget night, more than 15% of the tweets in Australia mention the word "budget".



Source: Twitter.com. The data was collected by NATSEM. Data bars are showing the number of tweets at 10 minutes interval. The Treasurer started his speech

Superannuation

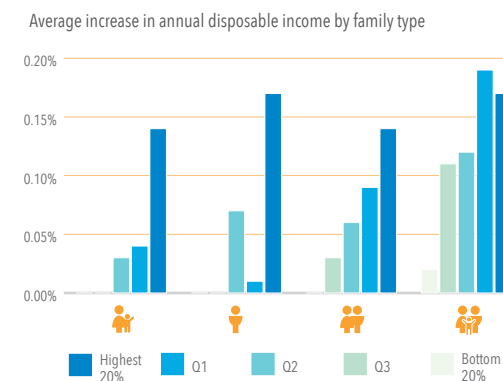


The concessional contribution limit has reduced from \$30,000 to \$25,000 and the income limit for concessional superannuation contributions has reduced from \$300k to \$250k.

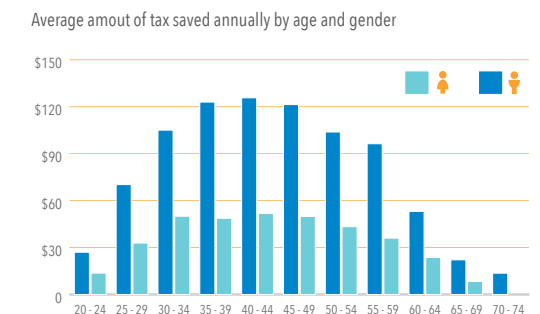
While there are only 1-2% of general population makes more than \$25k pre-tax contribution to superannuation fund in 2016, NATSEM estimates the measure will affect around 9% of the workers between age 55 to 70 due to the increased contribution via salary sacrifice.

The measure will also affect the medium high income earners who are approaching retirement, particularly for women. The median gross income for females who contributed more than \$25,000 (pre-tax) between age 55 and 64 is around \$80,000.

Income Tax



A modest income tax cut is given to anyone with a taxable earning above \$80,000, with a maximum of \$315 saving per annum. On the lower income spectrum, the Medicare levy exemption threshold is increased, which effectively reduces the tax for some of the lower income groups. NATSEM estimates the measures above jointly will affect less than 1 in 3 families in terms of their disposable income and the average change will be around 0.1%.



If we look at the age and gender distribution of change, the proposed measure is more beneficial to the middle age male workers as their income level has reached the threshold for the tax cut threshold. Given the lower average income level, females are likely to benefit less from the changes as shown in the figure on the right side.