# *South Australian Budget 2016-17*

*7 July 2016*

## *In brief*

- The South Australia (SA) 2016-17 Budget (Budget) was delivered on 7 July 2016 by the SA Treasurer, Tom Koutsantonis MP.
- The Budget continues the SA Government's emphasis on supporting jobs and developing future industries, under the SA Government's three core pillars of a developing modern economy, ensuring children have the skills for future industries, and creating more jobs for South Australians.
- There is a particular focus on modernising SA's workforce towards a high technology, globally connected and competitive economy, on the back of global pressures on SA's traditional manufacturing industries (which are reflected in SA's relatively high unemployment rate).
- A surplus of $254 million is predicted for 2016-17, whilst net State debt is estimated to be $6.25 billion.
- Following extensive reforms to SA State taxes in the 2015-2016 State Budget, only relatively minor changes to State taxes were announced, including:
    - An extension of the payroll tax concession for a further four years
    - An extension and expansion of the off-the-plan (OTP) stamp duty concession for a further year
    - Confirmation of the previously announced intention to cut non-residential property (NRP) stamp duty by a further third from 1 July 2017 and abolish it on 1 July 2018
    - An introduction of a wagering tax (15 per cent on net wagering revenue) from 1 July 2017.
- SA did not announce a foreign purchaser levy on land tax or stamp duty, as other jurisdictions such as Victoria, Queensland and New South Wales have recently.

## *In detail*

### *Context and Financial Outlook*

- SA looks set to record a budget surplus of $254 million for 2016-17, culminating in a net State debt of $6.25 billion.
- Gross Domestic Product (GDP) in 2016-17 is expected to grow by 2 per cent, the same as that predicted for 2015-16. GDP in 2017-20 is expected to grow by 3 per cent annually.

- Gross State Product (GSP) in 2016-17 is expected to grow by 2 per cent, up from 1.5 per cent as predicted for 2015-16. GSP in 2017-20 is expected to grow by 2.25 per cent annually.

- Total revenue in 2016-17 is expected to be $18.3 billion; up from $17.3 billion as predicted for 2015-16.

- Tax revenue in 2016-17 is expected to account for $4.5 billion of revenue, up from $4.4 billion as predicted for 2015-16.

- This is the first time in seven years that SA has had a budget surplus. However, this represents a surplus of almost $100 million lower than surplus estimates prepared in December 2015.

- Goods and Services Tax (GST) revenue grants is expected to account for $6.1 billion in revenue, up from $5.6 billion as predicted for 2015-16. Total grants are expected to account for $10.2 billion in revenue, up from $9.1 billion for 2016-17. Grants are estimated to account for 56 per cent of SA's total revenue in 2016-17.

- Whilst employment has grown by 6,000 since the 2015-16 Budget and is expected to grow by 0.75 per cent in 2016-17 and 1 per cent from 2017-18 onward, SA's unemployment rate remains high, at 6.9 per cent. The Budget measures attempt to create an environment which can transform SA into a modern, high technology and globally competitive economy.

### ***State Tax Changes***

*Extend payroll tax rebate*

- The small business payroll tax rebate provides eligible employers with a rebate payment in the first half of the financial year, based on their taxable payrolls in the prior year's annual reconciliation. The maximum rebate is $9,800.

- The small business payroll tax rebate has been extended for four years. This equates to $40 million over those four years.

- Eligible employers are those with a taxable Australian payroll of less than or equal to $1.2 million.

- The measure is predicted to assist approximately 2,300 businesses.

*Extend and expand Off-the-Plan stamp duty concession*

- The OTP concession is a full stamp duty concession on the transfer of a new apartment or substantially refurbished apartment for a contract entered into from 31 March 2012 to 30 June 2014 (capped at stamp duty payable on a $500,000 apartment) and a partial concession from 1 July 2014 to 30 June 2017.

- The OTP stamp duty concession will be extended and expanded for one year at a cost of $8 million.

- The concession of up to $15,500 will now be available to all new apartments across the State.

- This measure aims to support the building and construction sector. An estimated 800 apartment purchasers will benefit from the stamp duty concession.

*Reduce and then cut NRP stamp duty*

- The NRP stamp duty was cut by a third on 7 December 2015.

- The NRP will be cut by a further third on 1 July 2017, and will be abolished on 1 July 2018.

- Up to 6,000 non-residential property transactions are expected to benefit each year.

*Introduction of wagering tax*

- A tax of 15 per cent will be introduced on net wagering revenue from bets placed in SA irrespective of the location of the wagering operators from 1 July 2017.
- The tax will apply to all bet types including horses, harness and greyhound racing, bets on sports, and bets on other contingencies.
- A tax-free threshold of $150,000 net wagering revenue per year will apply for all operators.
- These reforms are estimated to generate around $10 million per annum.
- $500,000 per annum of this revenue will be used to help fund programs to address problem gambling.

*Major Announcements*

- To try to promote economic growth and address the State's high unemployment rate, a range of grants and concessions have been established. In particular, this includes grants for certain medium-sized businesses liable for payroll tax of up to $10,000 over two years, per new job created. This grant will operate from 2016 to 2018.
- Against the backdrop of a significant Budget surplus, there are significant proposals to commit spending to infrastructure projects. The SA Government has announced a $500 million upgrade for SA schools, which are forecast to commence by the end of 2016. A $527 million healthcare spend has also been announced.
- The Government also intends to privatise part of the Land Services group, which is responsible for processing land titles transactions. Options are also being considered to obtain some form of private sector involvement in other State-owned entities such as HomeStart.

## *The takeaway*

- With GST revenue grants contributing a third of SA's total revenue, SA continues to benefit from the GST carve-up. The SA Government is in a relatively secure financial position, with a strong Budget surplus, although unemployment remains high.
- There are relatively few changes to SA's State tax regime, given last year's widespread reform.
- It is interesting that SA did not choose to introduce some form of a foreign resident levy or surcharge, in line with the Victoria, New South Wales and Queensland governments.

## *Let's talk*

For a deeper discussion of how these issues might affect your business, please contact:

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