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Cash splash to calm carbon fears



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THE Gillard government has sought to reconnect with voters angry about the carbon tax and the cost of living with a budget that axes planned tax cuts for big business and instead hands out another \$5 billion in cost-of-living assistance to low- and middle-income earners.



The rise in cost-of-living outlays takes to \$20 billion the total in tax cuts, bonuses and higher payments that low- and middle-income earners will receive during the next four years.

The budget, which the Treasurer, Wayne Swan, described as "a Labor budget to its bootstraps", forecasts a \$1.5 billion surplus in 2012-13 - from a \$44 billion deficit this financial year - and provides funding to kickstart aged-care reforms and a national disability insurance scheme.

Despite a gloomy global outlook caused by events in Europe, the budget forecasts the economy to grow at a healthy 3.25 per cent next year and stay at trend or above afterwards.

The budget has been delivered with Labor in crisis in the polls, battling twin scandals concern-

ments will be boosted by \$1.8 billion, which is worth as much as an extra \$300 a year for families with one child and \$600 for families with two or more children.

As well, an extra \$2.1 billion has been dedicated to converting the education tax refund to the "school kids bonus" in which low- and middle-income earners will receive \$410 a year for each child at primary school and \$820 for each high school student.

Depending on their circumstances, families could receive as much as \$3450 a year.

"We understand the pressures Australians face, paying for electricity, housing, groceries, petrol or even a simple family outing," Mr Swan said, adding that everyone should feel the benefits of the mining boom. "They don't feel this boom is their boom," he said.

The supplementary allowance and the family tax benefit A rises, worth a combined \$2.9 billion over four years, will be funded by abolishing the \$4.7 billion in company tax cuts that were to be funded by the mining tax.

The Greens and the Coalition opposed the company tax cuts which Mr Swan said would never have passed Parliament anyway.

Big business reacted angrily.

Losers

Anyone earning more than \$300,000 confronts a doubling in the tax rate on superannuation contributions, from 15 per cent to 30 per cent.

People over the age of 50 whose superannuation balances are less than \$500,000 face a two-year wait for a concessional tax rate designed to encourage them to top up their balances.

Companies miss out on the promised 1 percentage point tax cut.

Savers will lose out on a 50 per cent tax break on interest income.

In foreign aid, \$2.9 billion was pulled from planned contributions over four years.

In a pointed message to business, Mr Swan said he still supported company tax cuts but business had to help make the case for how such cuts would be funded. Labor received next to no support for the mining tax.

Winners

Families eligible for the family tax benefit Part A receive a yearly schoolchildren's bonus of \$820 for each high school child and \$410 for each primary school child.

They also receive between \$100 and \$600 more a year, depending on income and number of children.

Singles receiving Newstart, youth allowance and parenting payment recipients will receive \$350.

Small business can write off assets worth less than \$6500.

Disabled people and their carers will share in \$1 billion towards a national disability insurance scheme.

The Opposition Leader, Tony Abbott, who has vowed to abolish the mining tax and every measure it funds, now must say whether the Coalition will abolish \$2.9 billion in cost-of-living assistance.

The opposition gave notice of its intention in Parliament yesterday when it stopped the government introducing legislation for the school children's bonus.

A concession to business - allowing loss-making companies to claim up to \$300,000 in deductions against previous losses - will cost \$700 million and will be funded by the proceeds of the mining tax.

The budget, Mr Swan's fifth, cuts spending by a net \$17 billion over four years.

The biggest casualties are Defence, which took a hit of \$5.4 billion over four years, and the promised rises in the foreign aid budget which were deferred for a year, saving \$2.9 billion over four years.

The government scrapped plans to allow a 50 per cent tax deduction on interest on savings, which saved \$900 million, and also plans for a standard annual tax deduction, saving another \$2.1 billion.

It deferred for another two years plans to allow people to contribute up to \$50,000 to their superannuation at the concessional 15 per cent rate. The cap will stay at \$25,000, saving \$1.5 billion.

Prudence marries politics - but the love might not last

THIS is an election year budget, but with a missing element - an election.

Not only has the government promised to rain down \$5 billion in new family payments. It has also announced whole new benefits schemes, for disabilities and for dental treatment.

Typically these are the actions of a government in the year it's going to face the people.

So why do it in the second year of a three-year parliament?

The Gillard government is certainly not planning an early election. That would be political suicide for a government with a primary vote of 27 per cent.

It's a measure of its deep political distress that it feels the need to do all it can to buy the attention and affection of the people so early in the cycle.

The government is worried that if it can't get the disgruntled Labor voter to give it another look now, it might not get another chance.

This budget is Julia Gillard's big, expensive plea for forgiveness - forgiveness for her broken promise on carbon tax. But it's to the government's credit that it has done this while keeping its commitment to return the budget to surplus.

Turning this financial year's \$44 billion deficit into next year's \$1.5 billion surplus is a serious achievement: "On time, as promised," as Wayne Swan put it. It's a happy coincidence of economic prudence and political need.

The dirtiest words in the world financial markets at the moment are "sovereign debt".

By wiping out the deficit, the government puts Australia on track to eliminate its net sovereign debt in 2020-21. A surplus is an "economic imperative" in a time of debt phobia, said Swan.

One of the most strident critics of the government's budget performances in the past four years, Stephen Anthony of the consultancy Macroeconomics, was moved to say: "This is an historic night. This is one of the biggest fiscal consolidations in the history of the Commonwealth."

"It is exactly right for the times," with tight budget policy allowing room for interest rates to fall and this, in turn, allowing the dollar to fall.

"This lets the non-mining states grow - South Australia,



PETER HARTCHER

COMMENT

Victoria, Tasmania and NSW will really benefit from this."

Prudence happily marries politics; the truth is that the government could not have afforded to break yet another promise.

How can it deliver a surplus yet also find \$5 billion in new cash payments to lower and middle income families over the next four years and start on new disability and dental schemes?

Partly by a political conjuring trick - by redirecting to families the \$4.7 billion that it had intended to give companies in the form of a 1 percentage point cut in the corporate tax rate.

A broken promise perhaps, but it was a promise the government was not going to be allowed to keep. The opposition and Greens had declared they were not going to let it through the Senate.

➔ For complete budget coverage see the Herald's 20-page liftout

The losers? They are in four categories. First, companies will lose their promised tax cut.

Second, spending is deferred in the voteless constituencies of defence and overseas aid.

Third is the removal of some superannuation and termination benefits from the highest-paid. Fourth is a crackdown on some welfare recipients, notably single parents.

The budget aims, in short, at the prejudices and hip-pocket interests of the working and "aspirational" voter that is supposed to be the Labor base.

Will it work?

John Howard spent a lot more than this on cash splashes to buy the electorate's love. But Howard showed that, once lost, the people's love cannot be bought back. Trying Howard's trick is a triumph of hope over evidence.

An MP sits wondering, lonely as a cloud, as Labor sets sights on fairer weather

One of its own vied for attention on the government's banner day, writes **Tony Wright**.

CRAIG THOMSON was the loneliest man in the House of Representatives on budget day.

Inhabiting what appeared to be a total exclusion zone on the crossbenches, far from the Labor colleagues who had protected him for years, the alleged rorter of \$500,000 in union funds roused himself only to vote... for his own survival.

The Speaker, Peter Slipper, pleaded innocence of his own alleged transgressions and

swept away to a future uncertain, leaving us no more than the memory of a billowing gown.

The former speaker, Harry Jenkins, found himself voting against his own proffered return.

Such a peculiar atmosphere. No mass shrieking, roaring and bluster, the usual stuff of Parliament. Instead, there was a fearful tension punctuated by ringing invective from the dispatch boxes about the plunging reputation of politicians and Parliament.



Craig Thomson sitting alone in question time yesterday. Photo: Andrew Mearns

The budget papers may have been holding others in thrall behind locked doors across Parliament House but you would

scarcely have guessed it in the House. The press gallery, normally all but deserted on budget day, was heavily populated by

senior reporters lured by the heady combination of drama performed upon a high-wire.

Mr Slipper stayed only a minute or two, offering the Lord's Prayer, a denial of the allegations of sexual harassment and misuse of tax dockets levelled by a former aide, James Ashby, the plea that his attempts to reform Parliament had met approval from the broader public and a lamentation that it was "unfortunate that trial by media has become the order of the day".

The people of Australia, cried the opposition's Christopher Pyne in riposte, viewed the Par-

liament with nothing but "sheer horror and revulsion".

He and his colleagues wanted to "wind back the clock" to November 24 and restore Harry Jenkins as Speaker. And they wanted Mr Thomson suspended from Parliament for 14 sitting days, and then to return to explain himself in the light of the findings of Fair Work Australia, after which the House could decide his political fate.

The wire on which Julia Gillard's government tottered was exposed for all to see when the MPs came to vote on the idea of winding back the clock on Mr

Slipper. It was tied at 72-72, though falling short of an absolute majority, it was lost.

Independents Rob Oakeshott and Tony Windsor saved the day for the government, spurning Mr Pyne's entreaties, though Andrew Wilkie backed the Coalition.

The attempt to toss Mr Thomson to the wind was lost rather more convincingly, 73-70, after a Coalition backbencher was thrown out for interjecting and Bob Katter didn't vote at all.

Ms Gillard, having survived another day swaying on the high-wire, called off question time after two questions.

Teaching boost

The NSW teaching workforce is set for its biggest overhaul in decades, with nearly 20,000 new teachers to be employed in the next five years.

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Hot Goss

Australian Matt Goss and his Orica-GreenEDGE team topple Mark Cavendish and Sky in cycling's Giro d'Italia.

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