

1.5 COST OF LIVING

The Cost of Living Statement presented in this Budget provides information on the impact of changes in major government and utility charges on a household, and the concessions available to offset these costs.

On average, the ACT has the highest standard of living in Australia, with a relatively younger, well educated and productive population. Unemployment is low, labour force participation is high and average incomes are around 20 per cent higher than the national average.

There are, however, some in the community who may struggle to meet increases in the cost of living.

A range of cost of living pressures are outside the influence of governments. Examples include interest rate increases, general market forces and the decisions of independent pricing authorities.

The Government is committed to supporting households meet the cost of living where possible. This means supporting a strong economy and protecting jobs, limiting the impact of changes in taxes and fees, providing consistently high quality services through sustainable revenue and delivering targeted assistance to lower income households.

The Government is commencing a major reform of the Territory's taxation system. The reform will reduce household costs from the abolition of a number of inefficient taxes.

Revenue replacement to more efficient bases is on a progressive basis, thereby reducing costs for a significant number of households. For example, general rates will reduce for about 24 per cent of households.

Supporting a Strong Economy and Supporting Jobs

Governments can best address the cost of living by helping create an economic environment that supports jobs and sustains services.

A key priority of the ACT Government is to support private sector development and work with industry and business to drive economic activity, employment growth and investment.

This Budget provides \$5 million over four years to implement the ACT Business Development Strategy which includes measures to facilitate private sector growth and economic diversification. Funding is also provided to encourage innovation and expand the research, information technology and education sectors.

The payroll tax threshold is increased to reduce costs for small and medium enterprises and support investment in ACT.

The Government remains focused on sound business policy and prudent fiscal management that will continue to drive business opportunities and growth. It recognises that a strong economy supports jobs and helps reduce cost of living pressures for all households in the ACT.

ACT Government taxation forms a small part of overall household costs. Per capita taxation as a proportion of gross household disposable income in the ACT is 5.2 per cent and among the lowest in the country.

Providing High Quality Services through Sustainable Revenue

Any increases to taxes and fees are made in the context of the actual costs incurred by the Government and ensuring stable revenue to fund services.

Revenue from ACT Government taxes and fees is used to fund hospitals, schools, courts, police, fire and emergency services, roads, town centre and neighbourhood amenities, and sport and recreation facilities.

The Government also recognises that the taxes and fees levied on Canberrans should be fair, efficient and sustainable. It has commenced a long term reform program for the Territory's taxation system in this Budget to ensure this occurs.

Targeted Assistance for Low Income Households

The Government remains mindful of the pressures faced by those in our community, who are finding it hard to keep up with general cost of living increases.

An Expert Panel was convened to advise the government on how best to respond to emerging financial pressures on low and moderate income households and those facing temporary financial hardship.

The Panel identified short, medium and longer term initiatives for consideration, recognising that some would require further work on possible implementation options.

Taking into account the Panel's recommendations, the ACT Government is now working with the business and community sectors to better target assistance to Canberrans in need.

Further targeted assistance measures are implemented through this Budget. The General Rates rebate for Pensioners increases by around 18 per cent.

The Home Buyer Concession Scheme's income eligibility is increased, with the concession targeted at the purchase of a new home or land for residential purchases. The Pensioner Duty Concession Scheme's property value thresholds for concessional duty have also increased. The Rates Deferral schemes eligibility criteria is expanded with those over 65, whether working or not, being eligible subject to income and asset tests.

Low income households experiencing temporary financial stress will be better able to access appropriate assistance through a No Interest Loan Scheme.

Concessions

Concessions and welfare assistance programs help offset cost of living pressures for households with low incomes and are reviewed and adjusted on a regular basis.

A range of Commonwealth concessions and household assistance is also available to offset living costs.

It is estimated that in 2012-13, ACT Government concessions for the taxes and fees that impact directly on households, including General Rates, the Fire and Emergency Services Levy, utility charges, driver licence and motor vehicle registration fees, and public transport fares, will offset 40 per cent of the costs.

Chapter 4 provides a Cost of Living Statement in accordance with the requirements of the *Financial Management Act 1996*.