

Budget

Less Tax

The Budget will deliver tax reductions totalling \$14.5 million in 2005-06 by increasing the payroll tax threshold and first home owner stamp duty concession, and abolishing debits tax and electronic debit transactions stamp duty. Further reductions will come into effect from 1 July 2006.

- An increase in the payroll tax-free threshold from \$800 000 to \$1 million from 1 July 2005 will save businesses a further \$3.2 million per year and make the Territory's tax regime one of the most favourable in Australia for small to medium sized businesses.

This means an extra 61 Territory-based businesses will no longer pay payroll tax.

- On 1 July 2006, the tax-free threshold will rise again, to \$1.25 million, the equal highest threshold in Australia. This means an additional 53 Territory-based businesses will pay no payroll tax after 1 July next year.
- Debits tax and electronic debit transactions stamp duty will be eliminated from 1 July 2005. Stamp duty on the grant and renewal of leases and franchises, and stamp duty on unquoted marketable securities will be abolished from 1 July 2006. These measures will save Territorians nearly \$11 million a year.
- First home buyers will not pay any stamp duty on the first \$200 000 of their new home, from 3 May 2005. The value of the first home owner stamp duty concession will nearly double from a maximum of \$3640 to \$6800, providing a further stimulus to the local residential construction industry, and saving first home buyers \$2.7 million.

Infrastructure Spending

Total infrastructure expenditure in 2005-06 is estimated to be \$476 million.

- Capital works program of \$295 million with estimated expenditure of \$192 million.
- Capital grants spending of \$43 million.
- Power and Water Corporation capital expenditure of \$63 million.
- Repairs and maintenance totalling \$170 million (including Power and Water Corporation).
- Includes a 40 per cent increase in minor new works to \$28.6 million.

2005-06 Major Works Program

• Roads and other transport infrastructure	\$79.69M
• Schools	\$36.22M
• Housing	\$24.40M
• Desert Knowledge Precinct	\$21.17M
• Darwin, Alice Springs and Tennant Creek Hospitals	\$17.04M
• Lifestyle and Environment	\$14.98M
• East Arm and Darwin Business Park	\$11.75M
• Darwin City Waterfront redevelopment	\$9.80M
• Health Centres and other health facilities	\$9.72M
• Police, Fire and Emergency Services	\$4.60M
• Land developments	\$3.56M
• Correctional Services	\$3.50M

Local Jobs and Better Skills

Jobs Plan 2 will continue to build a skilled, flexible workforce for local business and Territorians. The plan targets assistance at trainees, apprentices and employers:

- Work Wear Work Gear bonus – \$500 for every apprentice in hard-to-fill trades, and \$300 for other new trainees and apprentices to help with the cost of buying work clothing, boots and tools necessary for their new jobs;
- 40 vocational educational and training scholarships a year worth \$4000 each to assist students in Certificate III through to Diploma level courses with course fees and material costs;
- \$0.5 million targeting workers in the automotive, building, construction, hospitality and mining industries to upgrade their skills through training;
- \$4.4 million for the VET in Schools program to assist 1100 students to gain job-ready skills while still at school, preparing them for their transition to work;
- an additional \$1.5 million for Charles Darwin University directed at the trade schools; and
- \$4.4 million for a range of programs to better skill Territorians living in remote areas.

Highlights

Supporting Business

The Territory Government is investing in economic and major infrastructure projects, including the Darwin City Waterfront redevelopment, Desert Knowledge Precinct, Mereenie and Litchfield Loop Roads, East Arm works including fuel pipelines and Darwin Business Park land servicing, upgrading beef roads across the Territory, and residential subdivision headworks.

Other Government works provide significant opportunities for local firms to do business on major and minor new works as well as the repairs and maintenance requirements on Government assets. Around 80 per cent of Government contracts valued over \$50 000 have, in the past year, gone to local firms, evidence of the success of the Government program of procurement reform. The Territory Government has increased its commitment to minor new works by 40 per cent in 2005-06, further boosting work available for local small business.

Economic Recovery

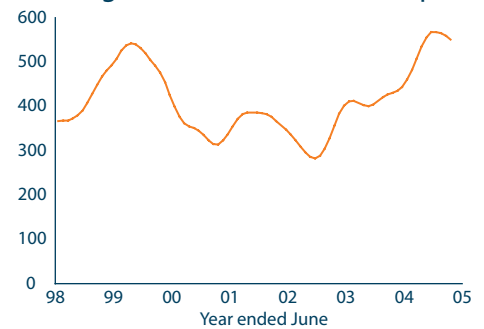
Over the past two to three years, the Territory economy has continued to recover from a period of flat growth, returning to solid growth in recent times. The pick up was at first patchy, constrained by weak interstate migration and other factors that dampen economic performance. More recently, the onshore economy has generally recovered significantly.

Construction was boosted by the work on the Alice Springs to Darwin railway, low interest rates and Government incentives which supported home ownership and investment in housing. Property markets have improved, with house prices strengthening and residential vacancy rates dropping to historically low levels in some areas. Buoyant consumer confidence is also reflected in growing motor vehicle sales and stable retail sales.

Population growth is starting to pick up, albeit gradually, and is supported by large projects such as the Bayu-Undan stage 2 liquefied natural gas (LNG) plant at Wickham Point. Tourism-related activity is also starting to recover, following the external shocks of terrorism attacks, the Ansett collapse and SARS. This is supported by the success of the Ghan rail passenger service and increased domestic airline seating capacity.

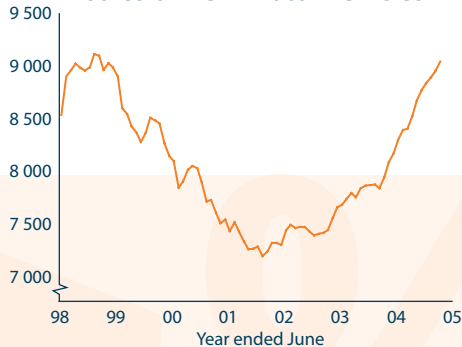
Importantly, business confidence has strengthened markedly as the outlook improves for the onshore economy, with labour-intensive tourism returning to higher activity levels and continued high levels of construction activity.

Housing Finance for Owner-Occupiers*



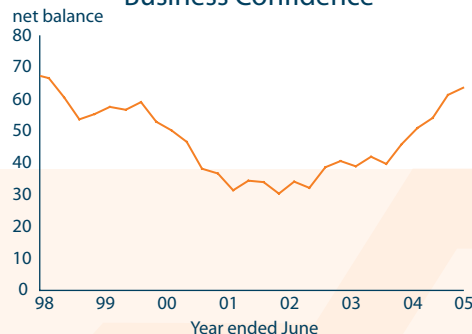
Source: ABS Cat. No. 5609.0 *monthly trend

Sales of New Motor Vehicles*



Source: ABS Cat. No. 9314.0.55.001 *moving annual total

Business Confidence*



Source: Sensis Business Index *moving annual average