



Australian Government
The Treasury

TSY/AU

Treasury
Annual Review
2016-17

Our highlights

TREASURY WORKFORCE

52%

of commencements were from outside the APS

796
employees

14.9%
part-time employees

14%



895

graduate applications received in 2016

35 graduates commenced in 2017



DIVERSITY AT TREASURY

1.8

PER CENT

With disability

2.5%

10.7

PER CENT

English second language

10.5%

0.3

PER CENT

Aboriginal or Torres Strait Islander

0.4%

52.6

PER CENT

Women

52.8%

33

PER CENT

Women SES

37.2%

20

PER CENT

Born overseas

19.7%

TREASURY STAFF IN INTERSTATE AND OVERSEAS LOCATIONS



Beijing

2

OS POSTS



Washington DC

1

OS POST



New Delhi

1

OS POST



Port Moresby

1

DEPLOYEE



Jakarta

1

OS POST



Jakarta

2

DEPLOYEES



London

1

OS POST



Paris (OECD)

1

OS POST



Tokyo

1

OS POST



OFFICES

Sydney

42

Melbourne

22

Perth

1

Canberra

746

TREASURY COMMUNICATION AND PARLIAMENTARY SERVICES

46

Publications and reports delivered

35
2015-16



52

Legislation/Bills introduced in Parliament

22
2015-16



2880

Briefs provided to Government

741

Policy costings completed

Treasury continues to take strides towards being a more outward-looking organisation.

We are well known for delivering the Budget which shapes all Australian Government services. However, as reflected in this report, our responsibilities cover the waterfront of policy — and the way we operate is evolving.

We operate as one of the smallest central policy agencies. This puts a premium on us having the capability to ensure that we are able to deliver the high quality advice and services the Government expects of us.

2017-18 Budget

- Treasury assisted the Government to deliver the 2017-18 Budget and implement its fiscal strategy, including managing budget processes and advising on the overall budget strategy and priorities.
- Treasury provided economic, tax and fiscal modelling to support the Government's budget estimates and policy settings. Consistent with the fiscal strategy, the underlying cash balance is expected to improve from a deficit of 1.6 per cent of GDP in 2017-18 to a projected surplus of 0.4 per cent of GDP in 2020-21 and remain in surplus over the medium term.
- The 2017-18 Budget increased the prominence of the net operating balance and included an additional Budget Statement that provided further information on the recurrent and capital budget. Treasury provided the Government with advice and analysis to implement these changes. From 2018-19, the Government will not need to borrow to fund its day to day expenditure and the net operating balance will move into a projected surplus of \$7.6 billion in 2019-20.
- Net debt as a share of GDP is expected to peak in 2018-19 before declining over the forward estimates, falling to 8.5 per cent of GDP over the next decade.

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Treasury Portfolio Agencies

Australian Bureau
of Statistics

Commonwealth
Grants Commission

Australian Competition and
Consumer Commission

Inspector-General
of Taxation

Australian Office of
Financial Management

National
Competition Council

Australian Prudential
Regulation Authority

Office of the Auditing and
Assurance Standards Board

Australian Reinsurance
Pool Corporation

Office of the Australian
Accounting Standards Board

Australian Securities and
Investments Commission

Productivity
Commission

Australian
Taxation Office

Royal
Australian Mint

Tax Integrity

Treasury has continued to support the Government's strong action to ensure multinational corporations are paying the right amount of tax. Treasury has worked closely with the Government and key stakeholders to help deliver the following achievements during the last twelve months:

- A new Diverted Profits Tax (DPT) which introduced a new 40 per cent penalty rate of tax applying to multinationals
- that avoid tax by diverting profits offshore;
- Establishing a new Tax Avoidance Taskforce to strengthen the ATO's capacity to target tax avoidance by large corporates, multinationals and high wealth individuals. The taskforce is estimated to result in a \$3.7 billion gain to revenue over the period 2016-17 to 2019-20;
- Signing the Multilateral Instrument (MLI), which modifies the application of jurisdictions' bilateral tax treaties to include agreed minimum standards and other measures designed to counter treaty abuse and to improve dispute resolution mechanisms. At least 70 jurisdictions have signed the MLI;
- Implementing the latest OECD transfer pricing recommendations to ensure that Australia's rules to prevent profit shifting through excessive related party payments remain international best practice;
- Increasing penalties for multinationals failing to lodge tax documents on time and making false or misleading statements;
- Treasury launched a national advertising campaign to highlight this action and the benefits to all Australians.

In the past year Treasury supported the Government with economic analysis and authoritative policy advice on issues such as superannuation, banking, housing affordability and business taxation.

Black Economy

- The Government established the Black Economy Taskforce in December 2016 to develop a forward-looking, innovative, and whole-of-government strategy to combat the black economy. The Taskforce is independently chaired by Mr Michael Andrew AO.
- The Taskforce is an important initiative to combat black economy activities which undermine the community's trust in the tax system, create an unfair commercial environment and undermine tax revenue.
- The Taskforce's Interim Report was released on 9 May 2017. It included a number of initial recommendations which the government has accepted, and areas for further exploration.
- The Taskforce is now working to further develop these and other proposals in close collaboration with the private sector and the public. Over 90 meetings were held over the first six months of the Taskforce.
- The Final Report will be delivered to Government in October 2017.

We also monitor global economic conditions to make sure Australia is well-placed to respond to emerging trends – including by drawing on our international posts in major cities around the world.

Treasury has a strong focus on supporting sustained growth in the Australian economy. On this front, we are implementing changes flowing from the Financial System Inquiry, as well as regulation and tax reforms.

Reforms to benefit small business

Treasury supported the Government to implement measures that:

- Increased the small business turnover threshold from \$2 million to \$10 million from 2016-17, giving over 90,000 additional businesses access to a range of small business tax concessions.
- Cut the company tax rate to 27.5 per cent for incorporated businesses with turnover less than \$10 million from 2016-17, with the turnover threshold raised to \$25 million from 2017-18. This tax cut will be extended to incorporated businesses with turnover less than \$50 million in 2018-19. The tax rate will then be phased down to 25 per cent by 2026-27.
- Increased the unincorporated small business tax discount rate to 8 per cent (capped at \$1,000 per year) for unincorporated businesses with turnover less than \$5 million from 2016-17. The discount rate will be progressively increased to 16 per cent by 2026-27.
- Extended the \$20,000 instant asset write-off for 12 months to 30 June 2018 for businesses with turnover less than \$10 million.
- Introduced a crowd-sourced equity funding policy which will allow smaller public companies to raise up to \$5 million in equity in any 12 month period, commencing 29 September 2017.

Bank Levy

- In the 2017-18 Budget, the Government announced the introduction of the major bank levy (the levy). The levy is expected to raise \$6.2 billion over four years from Authorised Deposit-taking Institutions with at least \$100 billion in total liabilities.
- Treasury played a key role in the development of the levy. The department provided technical advice on potential interactions between the levy and Australia's banking and financial system as well as revenue modelling to support the Government's budget estimates.
- Following the Budget announcement, Treasury supported the Government's implementation of the levy by: consulting on and finalising the enabling legislation; and working with the Australian Prudential Regulation Authority and the Australian Taxation Office to create a new Reporting Standard to facilitate the calculation of the levy.

Treasury should be an engine room for policy ideas and advocacy within the Government and drive debate on major reforms. To this end, we have established a new Structural Reform Group headed by a Deputy Secretary, Meghan Quinn to undertake deeper analysis on the challenges and opportunities facing our industries, cities and regions.

Structural Reform Group

- The Treasury established the Structural Reform Group on 6 March 2017, in recognition of the important and growing role structural change will play in supporting sustained economic growth in Australia.
- The Group is a key part of Treasury's commitment to being an engine room for policy ideas, and has a mandate to think and work differently to drive the department toward more innovative approaches to solving difficult policy problems.
- The Group is working to deliver significant improvements to the competition law in Australia and is driving the Treasury portfolio's efforts to reduce the red tape burden imposed by government. The Group works to improve regulation in markets such as energy and infrastructure, while also advising on policies for structural adjustment, industry transition and regional development to deliver for all Australians.
- The Group has also embarked on projects to improve access to consumer data, as well as examining barriers to business investment, with a focus on collaboration and engagement with industry, peak bodies and community organisations from all over Australia.

We have continued to develop and expand our presence in our Sydney and Melbourne offices. Not only has this allowed us to increase our direct stakeholder engagement, it also continues to provide a new pathway to recruit skills and experience in the department.

Sydney & Melbourne Offices

- Treasury opened its Sydney and Melbourne Offices in 2015 and 2016. They have grown quickly in that time. Sydney has 47 staff while Melbourne has 23. All of the policy groups of Treasury are represented in the offices.
- They are an integral part of Treasury. They allow us to engage more effectively with the private sector, other agencies based outside Canberra and people interested in the development of policy in Australia. Through their networks the offices have been closely involved in the development of policies on foreign investment, the financial system, tax and retirement incomes in the past few years. They also inform the Department's macroeconomic analysis and business liaison program. Feedback from external stakeholders has been very positive about this engagement.
- The offices also allow Treasury to recruit more broadly, bringing people with experience from the private sector and a wider range of agencies into the Department. This broader recruitment has brought people with significant experience in tax, foreign investment, financial markets, law, economics, regulatory practice, structural reform, retirement incomes, financial regulation and stakeholder engagement into the Department. This breadth of hiring would not have been possible without the offices.
- This mix of staff has brought a sharper focus to the development of policy, greater engagement and more flexible ways of working within the Department.

We have established a small office in Perth. Having a presence in Western Australia means we can foster closer ties with local stakeholders and attract talent from the private sector. This is part of our focus on broadening our horizons. We need to engage widely with different industries and regions to gauge better how the economy is running.



Perth Office

- Treasury opened its Perth Office in July 2017 as a two year pilot. The Perth Office provides the opportunity for Treasury to interact with stakeholders in Perth and regional Western Australia from the broader community, business, Government and academia.
- The Perth Office fills an important function for Treasury by allowing us to understand better the significant contribution Western Australia makes to Australia's economic growth and international trade and investment and the transition of the Western Australian economy following a period of strong mining investment.
- Since opening, the Perth Office has had strong positive engagement with the Western Australian community. The Perth Office has led consultations with significant stakeholders in Western Australia regarding foreign investment, structural reform, tax and macroeconomic conditions.

It was another busy year for the Foreign Investment Review Board (FIRB), assessing high levels of applications and advising the Treasurer on sensitive proposals. In a new development, the Government established a Critical Infrastructure Centre within the Attorney-General's Department to advise on the national security risks to Australia's critical infrastructure with an initial focus on water, ports, electricity and telecommunications sectors. The Centre's advice will complement existing FIRB processes in scrutinising foreign involvement in these important assets.



**Critical
Infrastructure
Centre**

- On 23 January 2017, the Attorney-General and the Treasurer announced the establishment of the Critical Infrastructure Centre (CIC) within the Attorney-General's Department to manage the complex and evolving national security risks to Australia's critical infrastructure.
- A function of the CIC will be to develop coordinated, whole-of-government national security risk assessments on critical infrastructure assets to support Government decision making, such as foreign investment decisions. As such the work of the CIC will complement the existing FIRB process, providing early and comprehensive advice on national security risks.
- The CIC's initial focus will be on the risks of sabotage, espionage and coercion in the highest risk sectors of telecommunications, electricity, water and ports sectors.

The Treasury is committed to the ongoing development of staff performance and achievement. In 2016-17, the Treasury commenced a review into performance management system and, as a result, the Department is on track to implement a new Performance Development System in 2017

Performance Development System

The objectives of the system in optimising performance include:

- continuously improve organisational performance to enable the Department to achieve its planned outcomes and priorities;
- providing a framework to improve individual and organisational performance, as well as supporting development and career planning;
- providing an approach to ensure regular real-time and meaningful feedback and recognise and reward sustained high performance; and
- providing mechanisms for managing declines in performance and underperformance.

Workforce Diversity

- By accepting and fostering the diversity around us, we are able

to gain new perspectives, educate ourselves, appreciate others and challenge our thoughts or beliefs. Importantly, in doing so we can contribute to the creation of safe and

supportive work environments for all people, also encompassing striving to recruit – at all levels – staff from all States and Territories, regional areas and from the private sector.

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Graduate Program

- Treasury received 895 applications for the 2017 Graduate Program, which represented a 14 per cent increase from the previous year.
- 35 graduates (15 females and 20 males) were engaged from across the country and commenced on 6 February 2017 in the Canberra office.
- The 2017 Graduates bring a wide range of academic skills to the Department including economics, law, arts, commerce and science.
- The 2017 Graduate cohort is the first to undertake the new two-year Graduate Program which encompasses two 12-month placements where graduates are embedded in two of Treasury's five policy groups.

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I present this report on behalf of Treasury staff – a relatively small but dynamic group.

Treasury continues to provide some of the best opportunities in the public service through our graduate program, where interest continues to grow, as well as secondments and international postings.

We are committed to making Treasury a more rounded place to work with our most senior executives championing inclusion and diversity programs throughout the year. We are also working to put in place a new, modernised Performance Development System, designed to continue support and drive employee engagement and our high performance culture. The strength of Treasury leadership and our commitment to innovation has shown through in positive results in the 2017 APS Employee Census.

This report provides some outstanding examples of our performance. It also shows that Treasury has an eye to the future in strengthening our capabilities and adapting our processes to ensure we continue to deliver for the Australian public.

John A Fraser
Secretary



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