

Budget 2018: The need for stability vs the lure of popularity

The 2018 Federal Budget was always going to be a tale of temptation. For months, the government had been trailing in the polls but edging ever closer towards parity.

With the Election window around a year away, the seductive powers of delivering an electorate sweetener that gently but immediately swayed the balance of perception in favour of the incumbent was going to be hard to resist.

However, the Budget deficit is now 10 years old and continues to drag on the national accounts. Former Treasurer Peter Costello this week commented that he fears he may not see the debt repaid during his lifetime. His fear is not all together misplaced, as each and every Budget since 2008 has spent beyond the anticipated tax take, deferring the return to surplus. Any thought of the eventual repayment of the debt pushed far into the forward estimates, left for the next government to deal with.

It's not just the nation's accounts that need to be stabilised. The constant politicising of issues relating to the rules around Superannuation, Social Security and Aged Care caused headaches for many in the respective industries and tax payers alike. It undermines the confidence in the system, fostering uncertainty.

As it were, the lure of popularity was simply a little too much to resist, although delivered atypical style. Cuts to personal tax rates via the introduction of a new income tax offset, raising the income tax thresholds and the eventual removal of the 37% marginal tax bracket provide a sweet sugar hit to the electorate, but at what cost in the longer term?

Stability was also present and accounted for with relatively minor tweaks to Superannuation, Social Security and Aged Care. But the hope of a balancing act for the Budget continues to depend on the prices and royalties achieved for the sale of our nation's resources and the volatility of forecast earnings for another Fiscal year.

- Braith Morrow, Senior Compliance Manager

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