

MASTER BUILDERS AUSTRALIA

## **Overview of 2021-22 Federal Budget**

Canberra

11<sup>th</sup> May 2021

## Budgetary outlook and strategy

Australia's federal budget is projected to remain in deficit over the forward estimates period to 2024-25 with net debt expected to increase to almost \$1 trillion by the end of June 2025.

During 2019-20, the federal government underlying cash balance reached \$85.3 billion, equivalent to 4.3 per cent of GDP. Today's federal budget anticipates that the cash deficit will peak at \$161.0 billion during 2020-21. At 7.8 per cent GDP, this represents a very substantial figure.

However, the scale of the 2020-21 deficit is lower than was expected at the time of the last federal budget announced in October 2020 (\$213.7 billion) and in December's Mid-Year Economics & Fiscal Outlook (\$197.7 billion).

Over the medium term, the size of the deficit is anticipated to get smaller in line with the continued recovery in the economy, the labour market and reduced need for support from the federal government. By the end of the forecast horizon in 2024-25, the deficit is forecast to decline to \$57.0 billion or 2.4 per cent. This would be closer to the calibre of deficit that occurred in the years prior to the pandemic.

The persistent of budget deficits over the years to 2024-25 means that the size of the government debt will steadily increase over the coming years. At the end of June 2020, the net debt stood at \$491.2 billion or 24.7 per cent of GDP. This is anticipated to reach 30.0 per cent of GDP by the end of June 2021. By the end of June 2025, net government debt will have increased to \$980.6 billion which by then will be worth just over 40 per cent of GDP.

While the escalation in the government's indebtedness over the coming years will be significant, it is important to note that a 40 per cent net debt ratio will still compare favourable with almost all other advanced economies.

## Measures announced prior to Budget night

Over the past week, a number of measures included in the 2021-22 federal Budget have been announced early. Several were of particular relevance to the building industry and include:

### *Family Home Guarantee*

- 10,000 guarantees made available over a 4-year period to single parents with dependents.
- The scheme opens on 1 July 2021.
- The Guarantee is available for both the purchase of an existing home or for building or buying a newly-built home.
- The Guarantee will facilitate home purchase with a deposit as little as 2 per cent.
- The Guarantee is open to both first home buyers as well as those who have previously owned a home.
- Applicants must be Australian citizens, at least 18 years of age and have an annual taxable income of no more than \$125,000.
- The scheme will be administered by NHFIC.

### *Extension to the FHLDS (New Homes) to 30 June 2022*

- The First Home Loan Deposit Scheme (New Homes) scheme provides low deposit loans to eligible first home buyers for the purchase of a new home.
- Eligible homes include newly-constructed dwellings, off-the-plan dwellings as well as house and land packages.
- An additional 10,000 places will be made available during the 2021-22 financial year.
- The FHLDS allows for homes to be purchased with a deposit as low as 5 per cent of the price.

### *Increase in First Home Super Saver Scheme threshold*

- The First Home Super Saver Scheme allows for limited use of a person's superannuation account to save towards a home deposit.
- It has been announced that the maximum amount of voluntary contributions that can be released from a super fund for this purpose will increase from \$30,000 to \$50,000.

*Increased resources for public housing*

- The federal government will provide an additional \$124.7 million in funding for states/territories to bolster public housing stock.

## Key initiatives in federal Budget 2021-22

Furthering the economic recovery through enhanced support for skills and training was one of the main themes of tonight's budget. There were also measures targeted at childcare, aged care, boosting productivity, mental health, women's safety and inclusion. Infrastructure was also one of the cross cutting themes with initiatives here relating to road projects, national security, resilience and regional development.

Listed below are the most significant announcements made in tonight's the budget speech.

- Company tax rate reduced to 30 per cent for small and medium companies from 1 July 2021.
- Major expansion of JobTrainer Fund, including significant expansion in support for apprenticeships and new training places.
- Retaining the Low and Middle Income Tax Offset for the 2021-22 financial year. This is worth up to \$1,080 for an individual or \$2,160 for a couple.
- The extension of Temporary Full Expensing to 30 June 2023.
- An extension of Temporary Loss Carry Back to 30 June 2023.
- About \$15 billion worth of additional infrastructure commitments.
- Support for an additional \$250 million worth of regional community infrastructure projects through the Building Better Regions Fund.
- The creation of a new National Recovery & Resilience Agency to lead responses to natural disasters and hazards.
- Allocation of a further \$1.9 billion Covid vaccine roll out
- Another \$1.5 billion worth of funding for Covid-related health services.
- An additional \$2.3 billion of targeted support for sectors worst hit by the pandemic, including aviation, tourism, the arts and international education.
- Measures to make the cost of childcare more affordable for low and middle income earners through a further \$1.7 billion investment in the sector.
- A \$2 billion commitment to funding pre-schools.

A detailed review of budgetary measures is presented on a thematic basis in the sections which follow this one.

## Jobs, training and apprenticeships

- An additional \$2.7 billion has been provided to extend the Boosting Apprenticeship Commencements program.
- This is expected to support more than 170,000 new apprentices and trainees by paying businesses a 50 per cent wage subsidy for starters before 31 March 2022. The subsidy is capped at \$7,000 per quarter per trainee/apprentice.
- Funding for the JobTrainer Fund has also been increased to allow an additional 163,000 places and extend the program to 31 December 2022.
- The JobTrainer Fund aims to provide free or low-fee training places to job seekers and school leavers.
- Training support for 5,000 women to break into non-traditional trades.

## Small business

- Removing cessation of employment as a taxing point in Employee Share Schemes.
- Extension of small business loan scheme.
- Creation of independent umpire between ATO and small business.

## Aged care

- Residential aged care services and sustainability worth \$7.79 billion
- Home care package worth \$7.46 billion.
- New funding of \$17.7 billion to significantly improve aged care system.
- Funding for additional 80,000 home care packages, bringing the total to 275,000 home care packages available.
- Over 33,000 new training places for personal carers.

## Manufacturing, innovation and supply chains

- \$1.2 billion digital economy strategy.
- From July 2021, the government will deliver grants to businesses to build capabilities that address and identify critical supply chain vulnerability.
- Establishment of Office of Supply Chain Resilience.

- Continuation of 10-year Modern Manufacturing Strategy (MMS)
- Supply Chain Resilience Initiative worth \$107.1 million.
- Modern Manufacturing Initiative worth \$1.3 billion is accepting applications.
- Manufacturing Modernisation Fund rolling out second round of grants worth \$50 million.
- A further \$1.6 billion to fund priority technologies including clean hydrogen and energy storage.
- New 'Patent Box' scheme from 1 July 2022.

## Infrastructure

- About \$15 billion worth of additional infrastructure funding is included in tonight's federal budget.
- This means that the infrastructure pipeline for the next 10 days is valued at about \$110 billion.
- Extension to Local Roads and Community Infrastructure worth \$1 billion
- Building Australia's Resilience \$1.24 billion over forward estimates
- Extension to Road Safety Program worth \$1 billion
- An additional \$1.9 billion over the decade to strengthen national security, law enforcement and intelligence agencies.
- Investing over \$230 billion over 10 years in defence capability.

## Education

- More than \$19 billion in funding for universities in 2021-22.

## Superannuation

- Removal of the \$450 per month minimum oncome threshold for superannuation guarantee.
- Older Australians no longer need to meet a work test for making voluntary super contributions.
- Those aged over 60 allowed to contribute up to \$300,000 extra to super funds if they downsize.
- Enhanced access to Pension Loan Scheme.

## Deregulation agenda

- Over four years from 2021-22, there will be \$134.6 million to support the deregulation agenda.

## Regional Australia

- A new National Recovery & Resilience Agency to lead responses to natural disasters.
- A \$10 billion government guarantee to make insurance more affordable in northern Australia.

## Inclusion

- 2,700 places in Indigenous girls academies to help them finish school
- A further \$13.2 billion over the next four years to meet the needs of Australians with disability.
- A \$2.3 billion commitment to mental health care and suicide prevention.
- A new National Suicide Prevention Office.
- A further \$1.1 billion investment in women's safety.

## Agency resourcing

Increased resourcing for

- Asbestos Safety & Eradication Agency: \$5.4 million over four years for to monitor and measure implementation of National Strategic Plan for Asbestos Awareness and Management 2019-23
- Registered Organisations Commission in order to enhance capacity to comply with Fair Work (Registered Organisations) Act 2009

The federal budget also included some announcements specific to the individual states and territories. These are summarised over the sections that follow.



## State and Territory Budget Measures

### New South Wales

- \$2.03 billion for the Great Western Highway Upgrade – Katoomba to Lithgow – Construction of East and West Sections
- \$400 million for the Princes Highway Corridor - Jervis Bay Road to Sussex Inlet Road – Stage 1
- \$240 million for the Mount Ousley Interchange
- \$100 million for the Princes Highway Corridor – Jervis Bay Road Intersection
- \$87.5 million for M5 Motorway – Moorebank Avenue-Hume Highway Intersection Upgrade
- \$52.8 million for Manns Road – Intersection Upgrades at Narara Creek Road and Stockyard Place; and
- \$48 million for Pacific Highway – Harrington Road Intersection Upgrade, Coopersnook.
- \$278.5 million for local road and community infrastructure projects.
- \$270 million for road safety projects.

## Victoria

- \$2 billion for initial investment in a new Melbourne Intermodal Terminal;
- An additional \$307 million for the Pakenham Roads Upgrade;
- An additional \$203.4 million for the Monash Roads Upgrade;
- An additional \$20 million for the Green Triangle and \$15 million for the Melbourne to Mildura Roads of Strategic Importance corridors;
- An additional \$56.8 million for the Hall Road Upgrade;
- An additional \$30.4 million for the Western Port Highway Upgrade;
- \$17.5 million for the Dairy Supply Chain Road Upgrades; and
- \$10 million for the Mallacoota-Genoa Road Upgrade.

## Queensland

- \$400 million for the Inland Freight Route (Mungindi to Charters Towers) Upgrades
- An additional \$400 million for Bruce Highway Upgrades
- \$240 million for the Cairns Western Arterial Road Duplication
- \$178.1 million for the Gold Coast Rail Line Capacity Improvement (Kuraby to Beenleigh) –Preconstruction
- \$160 million for the Mooloolah River Interchange Upgrade (Packages 1 and 2)
- An additional \$126.6 million for Gold Coast Light Rail – Stage 3
- \$35.3 million for the Maryborough-Hervey Bay Road and Pialba-Burrum Heads Road Intersection Upgrade; and
- \$10 million for the Caboolture – Bribie Island Road (Hickey Road-King John Creek) Upgrade.

## South Australia

- \$2.6 billion allocation of funding for the North-South Corridor – Darlington to Anzac Highway;
- \$161.6 million for the Truro Bypass;
- \$148 million for the Augusta Highway Duplication Stage 2;
- An additional \$64 million for the Strzelecki Track Upgrade – Sealing;
- An additional \$60 million for the Gawler Rail Line Electrification;
- \$48 million for the Heysen Tunnel Refit and Upgrade – Stage 2
- An additional \$27.6 million for the Overpass at Port Wakefield and Township Duplication;
- \$32 million for the Kangaroo Island Road Safety and Bushfire Resilience Package, and
- \$22.5 million for the Marion Road and Sir Donald Bradman Drive Intersection Upgrade

## Western Australia

- \$347.5 million for METRONET: Hamilton Street-Wharf Street Grade Separations and Elevation of Associated Stations, including Queens Park Station and Cannington Station and an enhanced METRONET Byford Rail Extension project, with new grade separated rail crossing at Armadale Road and an elevated station at Armadale
- \$200 million for the Great Eastern Highway Upgrades – Coates Gully, Walgoolan to Southern Cross and Ghooli to Benari
- \$160 million for the WA Agricultural Supply Chain Improvements – Package 1
- \$112.5 million for the Reid Highway – Altone Road and Daviot Road-Drumpellier Drive – Grade-separated intersections
- \$85 million for the Perth Airport Precinct – Northern Access
- \$64 million for the Toodyay Road Upgrade – Dryandra to Toodyay
- \$55 million for the Mandurah Estuary Bridge Duplication, and
- \$31.5 million towards the METRONET High Capacity Signalling project

## Tasmania

- \$80 million for the Tasmanian Roads Package – Bass Highway Safety and Freight Efficiency Upgrades Package – Future Priorities;
- \$48 million for the Algona Road Grade Separated Interchange and Duplication of the Kingston Bypass;
- \$44 million for the Rokeby Road – South Arm Road Upgrades;
- \$37.8 million for the Midland Highway Upgrade – Campbell Town North (Campbell Town to Epping Forest);
- \$36.4 million for the Midland Highway Upgrade – Oatlands (Jericho to South of York Plains);
- \$35.7 million for the Midland Highway Upgrade – Ross (Mona Vale Road to Campbell Town);
- An additional \$24 million for the Port of Burnie Shiploader Upgrade; and
- \$13.2 million for the Huon Link Road.

## Northern Territory

- Newly-announced projects to support more than 900 direct and indirect jobs
- \$150 million for NT National Network Highway Upgrades (Phase 2)
- \$173.6 million for Northern Territory Gas Industry Roads upgrades.
- Development study for a Proposed Tennant Creek Multimodal Facility and Rail Terminal.

## Australian Capital Territory

- The new \$26.5 William Hovell Drive Duplication project is expected to support more than 170 jobs in the ACT.
- An additional \$5 million for Gundaroo Drive duplication.
- \$2.5 million for upgrades to Beltana Road in Pialligo.
- Previously, the federal government has committed \$137 million to upgrade Commonwealth Avenue Bridge and \$132.5 million for Canberra Light Rail – Stage 2A.