

Master Builders Australia

Summary of 2022- 23 Federal Budget

29th March 2022

Economic backdrop

The federal budget largely anticipates a favourable economic outlook over the period to 2023-24.

- The pace of GDP growth is forecast to peak during 2021-22 before decelerating gradually.
- Government spending and residential building are the most important drivers of economic growth over the short term.
- As these slow down, household consumption, exports and business investment are expected to pick up and become the main sources of economic growth.
- Inflation is likely to peak this financial year before slowing down. However, wages growth will strengthen a bit over the medium term.
- Employment growth is likely to remain robust, particularly as migrant labour to Australia resumes.
- The unemployment rate is expected to dip below 4 per cent and remain there, meaning that it will see its lowest rate in about 50 years.
- From 41,000 during 2021-22, net overseas migration to Australia is likely to recover to 213,000 in 2023-24.

Clearly, the invasion of Ukraine represents the single biggest risk to the economic outlook given its impact on the world economy and commodities prices. However, the fact that Australia is a net commodities exporter means that we are better insulated from this than most advanced economies.

Budgetary outlook and strategy

Budget deficits will continue to be recorded up to the end of the forecast horizon in 2025-26, meaning that Australia's government debt will continue to expand over this period.

- An underlying cash balance of \$79.8 billion is anticipated to be returned in 2021-22, equivalent to 3.5 per cent of GDP.
- In 2022-23, this is projected to shrink slightly to \$78.0 billion, or 3.4 per cent of GDP.
- By the end of the forecast horizon in 2025-26, the deficit is predicted to have shrunk back to \$43.1 billion equivalent to 1.6 per cent of GDP.

The accumulation of deficits over this period means that net government debt will rise from \$631.5 billion in 2021-22 to \$864.7 billion in 2025-26. This is equivalent to an increase from 27.6 per cent of GDP to 33.1 per cent of GDP over the same period.

Even though the cash value of the increase in government debt is substantial, the relative size of Australia's government debt is set to remain quite low compared with other advanced economies.

Key initiatives in federal budget 2022-23

Boosting the economy's supply-side capacity

- Support for the establishment of wood plantations over the five years from 2021-22 worth \$86.2 million.
- The Modern Manufacturing Strategy will receive an additional \$328.3 million in funding.

Income tax

- A one-off \$420 cost of living tax offset for low and middle earners, in addition to the existing Low and Middle Income Tax Offset (LMITO). This amount will be refundable in tax returns made for the 2021-22 year.
- A new one-off Cost of Living Payment worth \$250 which is exempt from tax will be paid to eligible pensioners, welfare recipients, veterans and concession card holders.

Welfare

- Enhanced Paid Parental Leave arrangements which will allow more families to access 20 weeks of leave including single parents.

Small business

- For businesses with annual turnover below \$50 million, a \$120 tax deduction will be provided for every \$100 worth of expenditure on selected digital technologies like cloud computing, eInvoicing, cyber security and web design. A maximum deduction of \$100,000 per year is permitted. The deduction will remain in place from now until 30 June 2023.
- In addition, a \$120 tax deduction will be provided for every \$100 spent on external training given to the employees of small businesses between now and the end of June 2024.
- The company tax rate for small businesses has stood at 25 per cent since the start of July 2021.

- An additional \$5.6 million has been provided to the Fair Work Commission over a four-year period to establish a dedicated unit to support small businesses, including with unfair dismissal and general protections disputes.

Cost of doing business

- Temporary reduction in tax on petrol and diesel of 22.1 cents per litre for six months from midnight on 29th March 2022. This will be monitored by ACCC to ensure it is passed on in full by retailers to their customers.

Training, skills and apprentices

- The federal budget provides resources to support an additional 35,000 extra places for apprentices and trainees through extensions to existing programs.
- A new Australian Apprenticeships Incentive Scheme will take effect from 1 July 2022 which will provide support to both employers and apprentices in priority occupations. Funding of \$954 million will be provided over 5 years to support this.
- Over the four years from 2022-23, \$38.6 million will be provided to allow additional support to women who commence trade occupations that are higher paying on the Australian Apprenticeships Priority List.
- Enrolments for the Boosting Apprentice Commencement wage subsidy have been extended up until 30 June 2022. This scheme pays 50 per cent of the eligible apprentice's wages in their first year, up to a maximum of \$7,000 per quarter per apprentice.
- Any business that receives the Boosting Apprenticeship Commencement (BAC) wage subsidy will also then be eligible for extended support through the Completing Apprenticeship Commencements (CAC) wage subsidy for the second and third year of a Boosting Apprenticeship Commencement supported apprenticeship.
- New and expanded programs to help find employment for disadvantaged youth, Indigenous Australians, the mature aged and Australians with a disability.

- For small businesses, a \$120 tax deduction will be provided for every \$100 spent on external training given to their employees between now and the end of June 2024.

Housing

The 2022-23 budget provides for significant expansion of the Home Guarantee Scheme. The Scheme's expansion consists of three elements:

- From 1st July 2022 the First Home Guarantee scheme will increase from 10,000 to 35,000 places per year. This scheme allows first home buyers to purchase a new or existing home with a deposit of as little as 5 per cent of the home's purchase price at a mortgage interest rate more consistent with lower LVR loans.
- A new Regional Home Guarantee scheme with 10,000 places per year will run from 1st October 2022 to 30 June 2025. The scheme will provide support for the purchase or construction of a new home in regional areas. Both first home buyers and non-first home buyers will be eligible.
- The Family Home Guarantee will increase to 5,000 places per year over the period from 1 July 2022 to 30 June 2025. The Family Home Guarantee allows single parents with children to buy their first home or to re-enter the market with a deposit of as low as 2 per cent.
- An additional \$2 billion in funding to NHFIC to support the delivery of affordable housing.

Infrastructure

- Additional \$17.9 billion in infrastructure commitments over the forward estimates period. This will bring the federal government's rolling 10-year pipeline of infrastructure projects to over \$120 billion.
- Additional \$480 million to improve NBN infrastructure in regional, rural and remote areas in order to deliver better internet service for up to 1 million homes.
- A \$9.9 billion investment over 10 years in Australia's offensive and defensive cyber capabilities.

Procurement

The federal budget provides for a new set of Commonwealth Procurement Rules which are designed to enhance opportunities for SMEs to participate in major government projects. This will be done by

- requiring officials to consider disaggregating major projects into smaller contract opportunities, where unbundling would allow greater competition and is appropriate to the type of work on offer;
- reducing the value of insurance costs that suppliers incur, to a reasonable level, and making it clear that, in most circumstances, insurance is not required until a contract is awarded;
- providing faster cash flows through supply chains, by extending our 'pay on time' policy to all suppliers (we will pay eInvoices within 5 days and other invoices within 20 days or pay interest); and
- allowing the Department of Defence to build local sovereign capabilities by directly purchasing from SMEs, or using tenders that are limited to SMEs, for procurements worth up to \$500,000.

These new measures are in addition to several measures which are already in place, such as:

- allowing direct procurement from SMEs for contracts up to \$200,000;
- making greater use of whole-of-government panels to reduce the costs of tendering; and
- assessing the domestic economic benefits offered by suppliers competing for high value contracts.

The full set of updated Commonwealth Procurement Rules can be accessed by clicking [here](#).

Regional Australia

- Under the Regional Accelerator Program, \$144.1 million worth of apprentice subsidies will be provided for employers in regional areas.
- Until mid-2024, an apprentice wage subsidy will be made available equivalent to 15 per cent in the first year, 10 per cent in year two and 5 per cent in the third year.

- A new Regional Accelerator Stream of the Modern Manufacturing Initiative will provide \$500 million in support for manufacturers in regions.
- Further investments in microgrids to support regional and remote communities currently lacking access to the grid.
- \$678 million for the Outback Way in the Northern Territory, Western Australia and Queensland.

Defence

- Boosting the defence workforce by 18,500 people by 2040.
- Over \$10 billion for future naval infrastructure including a new submarine base on the east coast of Australia.
- Around \$3.5 billion for up to 75 new tanks and other armoured vehicles.

Mental health and safety

- More Headspace services, community-based treatment centres and digital mental health support.
- A new \$1.3 billion package to end violence against women and children.

State and territory specific measures

New South Wales

Key new projects funded in New South Wales in the 2022–23 Budget include:

- \$1 billion for the Sydney to Newcastle – (Tuggerah to Wyong) faster rail upgrade
- \$336 million for the Pacific Highway – Wyong Town Centre
- \$264 million for the Newell Highway Upgrade – Heavy Duty Pavement Upgrades – North Moree
- \$232.5 million for Mulgoa Road Stage 2 – Glenmore Parkway to Jeanette Street, Stage 5A Blaikie Road to Jamison Road and Stage 5B Jamison Road to Union Road
- \$100 million for the Southern Connector Road, Jindabyne
- \$95.6 million for the Picton Bypass and and Picton Road - Planning
- \$77.5 million for a business case for Stage 2 of the Sydney Metro – Western Sydney Airport line

The Budget also includes additional funding for existing projects, including:

- \$352 million for the Milton Ulladulla Bypass
- \$300 million for the Grade Separating Road Interfaces
- \$65 million for the M5 Motorway – Moorebank Avenue – Hume Highway Intersection Upgrade

Victoria

Key new projects funded in Victoria in the 2022–23 Budget include:

- \$3.1 billion in new commitments to deliver the \$3.6 billion Melbourne Intermodal Terminal Package, including:
 - \$1.2 billion for the Beveridge Interstate Freight Terminal in Beveridge, taking the total investment to \$1.62 billion;
 - \$280 million for Road Connections, including Camerons Lane Interchange, to the Beveridge Interstate Freight Terminal;
 - \$740 million for the Western Interstate Freight Terminal in Truganina
 - \$920 million for the Outer Metropolitan Ring - South Rail connection to the Western Interstate Freight Terminal
- \$109.5 million for the Mickleham Road Upgrade

The Budget also includes additional funding for existing projects, including:

- \$45 million for the Ballarat to Ouyen – Future Priorities
- \$23.1 million for the Canterbury Road Upgrade

Queensland

- City Deal for Southeast Queensland (SEQ) including \$1.8 billion worth of infrastructure commitments.

Key new projects funded in Queensland in the 2022–23 Budget include:

- \$1.6 billion for the Brisbane to the Sunshine Coast (Beerwah-Maroochydore) rail extension
- \$1.121 billion for the Brisbane to the Gold Coast (Kuraby – Beenleigh) Faster Rail Upgrade
- \$150 million for the Brisbane Metro – Woolloongabba Station
- \$396 million for the South East Queensland City Deal
- \$27.2 million for three business cases for upgrades on the Bruce Highway between Anzac Avenue and Caboolture Bribie Island Road
- \$22.5 million for Brisbane Olympic and Paralympic Games 2032 business case development
- \$20 million for safety upgrades on the Brisbane Valley Highway.

The Budget also includes additional funding for existing projects and Roads of Strategic Importance corridors, including:

- \$68.5 million for the Cooktown to Weipa Corridor Upgrade bringing the total Australian Government funding to the corridor to \$258.5 million
- \$11.5 million for the Tennant Creek to Townsville Corridor Upgrade bringing the total Australian Government funding to the corridor to \$211.5 million

South Australia

Key new commitments funded in the 2022–23 Budget include:

- \$200 million for the Marion Road – Anzac Highway to Cross Road.
- \$120 million for the Adelaide Hills Productivity and Road Safety Package.

The Budget also includes additional funding for existing projects and Roads of Strategic Importance corridors, including:

- \$2.264 billion for the North South Corridor - Torrens to Darlington.

Western Australia

Key new projects funded in Western Australia in the 2022–23 Budget include:

- \$145 million for the Thomas Road – Dual Carriageway – South Western Highway to Tonkin Highway and interchange at Tonkin Highway
- \$140 million for Regional Road Safety Upgrades
- \$100 million for the METRONET: Morrison Road Level Crossing Removal
- \$50 million for the Tonkin Highway – North Ellenbrook Interchange
- \$48 million for the Moorine Rock to Mt Holland Road Upgrades
- \$40 million for the Newman to Katherine Corridor Upgrade - Great Northern Highway Upgrade - Newman to Port Hedland Overtaking Lanes

The Budget also includes additional funding for existing projects, including:

- \$320 million for the Bunbury Outer Ring Road (Stages 2 and 3)
- \$200 million for the Tonkin Highway Stage 3 Extension
- \$178 million for the Pinjarra Heavy Haulage Deviation – Stages 1 and 2
- \$135 million for the METRONET: Thornlie-Cockburn Link
- \$116 million for the METRONET: High Capacity Signalling
- \$90 million for the METRONET: Yanchep Rail Extension

Tasmania

Key new projects funded in Tasmania in the 2022–23 Budget include:

- \$336 million for the Tasmanian Roads Package – Northern Roads Package – Stage 2
- \$100 million for the Great Eastern Drive Tourism Support – additional packages
- \$96 million for the Tasmanian Freight Rail Revitalisation Program – Tranche 4
- \$56 million for the Tasmanian Roads Package – Tasman Highway Sideling Upgrade – Stage 2
- \$24 million for the Bell Bay Line – Reconnection to the Bell Bay Wharf
- \$14.4 million for the Melba Line Bulk Minerals Rail Hub
- \$13.5 million for the Hobart - Northern Transit Corridor Solution

Northern Territory

Key new projects funded in the Northern Territory in the 2022-23 Budget include:

- \$132 million for Central Australian Tourism Roads
- \$55 million for the Tiger Brennan Drive/Berrimah Road Intersection Upgrade

Australian Capital Territory

Key new projects funded in the ACT in the 2022–23 Budget are:

- \$46.7 million for the Athllon Drive Duplication
- \$2.8 million for the Kent Street and Novar Street Intersection Upgrades
- \$1.5 million for the Inner Canberra Corridor Planning Package