

MASTER BUILDERS AUSTRALIA FEDERAL BUDGET 2019/20 BUDGET OVERVIEW



What did Master Builders call for in the 2019/20 Budget?

In our pre-Budget Submission earlier this year, Master Builders set out key initiatives through which Government can ensure the 2019/20 Budget allows the building and construction industry to do what it does best – to build homes, schools and roads, grow small business, train young people and create jobs.

Our priority recommendations for federal Budget 2019/2020 included:

Taxation Incentives

- Retain current arrangements around Negative Gearing and the Capital Gains tax discount.
- Accelerate the pace of company tax reductions in light of improving budgetary position.
- Specify a timescale for 25% corporate tax rate to apply to all businesses, regardless of their size.
- Permanently Increase deductibility threshold for business assets to \$30,000 and extend to all businesses.

Backing Small Business

- Resources for an independent government agency, that could be known as the Small Business Impact Assessment Agency, to conduct more rigorous regulatory impact assessments on the impact of government regulation on small business and also spearheading changes to make government procurement more accessible for the small business sector.
- Ensure there is no increase to business costs from accessible housing and energy efficiency measures.

Creating More Jobs and Boosting Vocational Skills

- Fund an additional kick-start apprenticeship incentive from 1 May 2019 to 31 December 2019.
- Provide greater support for pre-apprenticeships.
- The creation of quality framework for Vocational Education & Training providers.
- The allocation of an additional \$10 million to the Real Skills for Real Careers marketing campaign.

Supporting housing and the built environment

- Increase emphasis on the provision of adequate stock of public housing.
- Increase direct financing of public infrastructure.
- An expansion of cross-government activities to boost housing and infrastructure
- NHHA funding should be tied to their performance with respect to meeting targets relating to affordable and public housing.
- Increase funding for the Australian Building Codes Board (ABCB) to implement recommendations in the Building Confidence Report.

Support for Workplace Relations & Safety Agencies

- Guarantee that the Australian Building & Construction Commission is appropriately resourced.
- The Registered Organisations Commission to be funded adequately.
- Retain and enhance the operation of the Fair Work Commission (FWC).
- Increase resourcing for Safe Work Australia and review its operations.
- Retain the Australian Government Work Health & Safety Accreditation Scheme by ensuring adequate resourcing of the Office of the Federal Safety Commissioner (OFSC).

What did the Budget deliver for Building and Construction?

Overview

The 2019/20 federal Budget envisages the first surplus in over a decade, and for surpluses to continue over the forward estimates period to 2022/23. The is expected to be helped along by economic growth gradually accelerating back to its 3% trend rate of growth in the early 2020s decade. Unemployment is projected to remain very stable at around 5% until at least 2022/23 with wage growth anticipated to build gradually, reaching 3.5% by the end of the Budget horizon compared with just over 2% currently.

The key themes touched upon in the Treasurer’s Budget speech include infrastructure, skills, income tax relief, small businesses, infrastructure, environment and climate action. These are discussed in more detail below.

Economic Outlook

The Budget anticipates that economic conditions will remain steady over the forecast period to 2022/23:

- GDP growth is eventually expected to revert to its 3% trend rate over time – from 2.3% currently
- However, Treasury forecasts that residential building will shrink by 7% in 2019/20 and by a further 4% in 2020/21.
- New job creation is expected to total 1.25 million over the next 5 years – with the unemployment rate steady at 5% over the forecast horizon
- Wages growth will slowly pick up and reach 3.5% - from about 2% presently
- Price inflation is projected to remain low for the foreseeable future.

TREASURY FORECASTS OF KEY ECONOMIC AGGREGATES			
	2018/19	2019/20	2020/21
GDP Growth (%)	2.25%	2.75%	2.75%
Wage Growth (%)	2.50%	2.75%	3.25%
Dwelling Investment change (%)	0.50%	-7.0%	-4.0%
Inflation Rate (%)	1.50%	2.25%	2.50%
Unemployment Rate (%)	5.0%	5.0%	5.0%
Employment Growth (%)	2.00%	1.75%	1.75%

Budgetary Strategy

- The big news is that Australia’s federal budget will return to surplus during the 2019/20 financial year and these are expected to persist over the forecast horizon out to 2022/23. This represents a more favourable outlook compared with last December MYEFO report.
- The other major announcement as regards budgetary strategy is that the net government debt is projected to reach zero by 2030.

FORECASTS OF BUDGETARY BALANCE IN BUDGET 2019/20					
	2018/19	2019/20	2020/21	2021/22	2022/23
Underlying Cash Balance (\$bn)	-4.2	7.1	11.0	17.8	9.2
as % GDP	-0.2%	0.4%	0.5%	0.8%	0.4%

Infrastructure

- \$100 Billion National Infrastructure Plan to be delivered over the next 10 years.
- The Urban Congestion Fund is to be increased from \$1 billion to \$4 billion.
- A new \$2.2 billion Road Safety Package.
- Roads of Strategic Importance Funding to be increased from \$3.5 billion to \$4.5 billion.
- Major project Business Case Fund \$250 million.
- Creation of a \$500 million Commuter Car Park fund to improve access to public transport and aims to take tens of thousands of cars off the road.
- Establishment of a National Faster Rail Agency.
- Provision of \$2 billion for fast rail link between Melbourne and Geelong, in order to halve the travel time.
- Continuation of work on fast rail corridors in Greater Sydney, Greater Brisbane and Melbourne/regional Victoria.
- Funding for Tonkin Highway in Perth, the North-South Corridor in Adelaide, the Gateway Motorway in Brisbane and the Freight Rail Revitalisation Program in Tasmania.
- Expansion of National Water Infrastructure Development Fund and extending the Future Drought Fund.

Regional Australia

- Budget 2019/20 provides an additional \$200 million for a fourth round of the Building Better Regions Fund to create jobs, drive economic growth and build stronger regional communities.
- \$100 million will be invested in Regional Airport infrastructure upgrades.
- Building on City Deals, Regional Deals will be rolled out including the Barkly Deal (\$45.4 million) (in the NT); the Hinkler Deal (\$173 million) (in Queensland's Bundaberg Region); and the Albury Wodonga Deal.
- An Emergency Response Fund of \$3.9 billion will be created to provide a sustainable source of funding for future natural disasters.

Small Business

There are a number of budgetary improvements aimed at small business:

- The instant asset write-off will be increased from \$25,000 currently to \$30,000 from now until 30 June 2020. It can be used every time an asset under that amount is purchased.
- The turnover threshold to qualify for the instant asset write off is expanded to businesses up to \$50 million.
- An additional \$60 million to be provided for Export Market Development Grants to allow small and medium-sized businesses to expand overseas operations.
- The company tax rate for small and medium-sized companies (with turnover below \$50 million per year) will fall from 27.5% to 25% from 1 July 2021.
- \$1.4 million will be provided to the FWC over 4 years to expand its Workplace Advice Service clinics to enable small businesses access free legal advice on employment law.
- \$57.5 million is to be provided over five years from 2018/19 to expedite the resolution of disputes of small businesses with the ATO.

Jobs and Skills

- Budget 2019/20 includes a new \$525 million skills package which aims to create 80,000 new apprenticeships in industries with skills shortages, and response to the Joyce Review of Australia’s VET system. It includes:
 - The establishment of a National Skills Commission to drive long term reforms in the VET sector
 - Establishing a National Careers Institute to improve career advisory services.
 - Creation of a new Additional Identified Skills Shortage Payment.
 - Resources to better identify emerging skills needs in the Australian economy through Phase III of the Jobs and Education Data Infrastructure Project.
 - Expanding the Unique Student Identifier to all higher education students.
- Doubling of incentive payments to employers of apprentices to \$8,000 per placement.
- A \$2,000 incentive payment to be paid to new apprentices.
- Ten new training hubs will be set up in areas of regional Australia affected by high youth unemployment.
- Provision of \$131.6 million over 5 years from 2018/19 to streamline and strengthen Trades Recognition Australia’s oversight of skills assessments.
- Further funding to increase female participation in STEM.

Tax Reform

The 2019/20 Budget includes a number of cuts to personal taxes. Interestingly, some of these will be backdated to 1 July 2018 and means that beneficiaries will qualify for lump sum refunds once the current tax year ends on 30 June next.

- The low & middle income tax offset will be more than doubled and backdated from 1 July 2018. The will result in a tax cut for those earning up to \$126,000 per year, worth up to \$1,080 annually until 30 June 2022. Thereafter, only a low income tax offset of \$700 will apply.
- The 19% tax rate threshold will be increased from \$41,000 to \$45,000 starting 1 July 2022.
- The 32.5% tax rate will be lowered to 30% from 1 July 2024. Its upper threshold will be raised from \$87,000 currently to \$200,000 from then on, abolishing the 37% tax rate.
- The Treasurer has pledged that the tax share of Australia’s economy will not rise above 23.9% under a Morrison government.

Black Economy and Tax Integrity

In order to crack down on tax evasion and the black economy, the government has indicated that it will:

- Establish a dedicated ‘sham contracting’ unit will be established within the Fair Work Ombudsman to target certain employers. Over 4 years, \$9.2 million will be provided for this.
- Establish a National Labour Hire Registration Scheme aimed at protecting vulnerable workers, including migrant workers (\$26.8 million over four years). This includes increased resources for the FWC to investigate underpayments and related issues.
- Target people in certain high-risk industries who attempt to hide or underreport their incomes.
- Make it more difficult for businesses to pay cash wages to staff while evading their obligations to report their incomes.
- Require businesses to have a good tax record when tendering for large Government contracts.
- Strengthen the ABN system to disrupt black economy behaviour.

- ACCC funding increased by \$9.4 million over four years from 2019/20 to continue and expand investigations in the commercial construction sector.

Superannuation

- The Government will delay the start date to 1 October 2019 for ensuring insurance within superannuation is only offered on an opt-in basis for accounts below \$6,000 and new accounts belonging to members under the age of 25 years.
- Voluntary superannuation contributions to be allowed from those aged 65 and 66 without having to meet the work test from 1 July 2020.
- Current tax relief for merging super funds will be made permanent. It had been due to expire on 1 July 2020.
- There will be a reduction in the red tape on super funds by streamlining some requirements relating to the calculation of exempt current pension income (ECPI).

Housing

- During 2019/20, the Australian government will provide funding of \$1.7 billion to support state affordable housing services, almost all of which will be delivered through the National Housing and Homelessness Agreement (NHHA);
- \$114.9 million in housing funding is to be provided through National Partnerships.

Additional Project Highlights by State & Territory

New South Wales

- The Budget provides for three fast rail business cases for Sydney-Newcastle, Sydney-Wollongong and Sydney-Bathurst-Orange-Parkes.
- New infrastructure projects of \$7.3 billion, including:
 - M1 Pacific Motorway Extension to Raymond Terrace (\$1.6 billion)
 - Western Sydney Light Rail (\$3.5 billion)
 - Princes Highway (\$500 million)
 - Urban Congestion Fund (\$254 million)
 - Roads of Strategic Importance (\$496 million)

Victoria

- The Budget will provide \$2 billion to help deliver fast rail from Geelong to Melbourne.
- There will also be funding provided to assess the business cases for a number of fast rail links: from Melbourne to Traralgon; between Melbourne and Greater Sheparton; and from Melbourne to Albury/Wodonga.
- New infrastructure projects worth \$6.2 billion, including:
 - Suburban Roads Upgrades (South Eastern and Northern Roads) (\$1.1 billion)
 - South Geelong to Waurin Ponds Rail (\$700 million)
 - Western Highway (Final Stage of Duplication from Ararat to Stawell) (\$360 million)
 - Urban Congestion Fund (\$396 million)
 - Roads of Strategic Importance (\$490 million)

Queensland

There will also be funding provided to assess the business case for a fast rail link from Brisbane to the regions of Moreton Bay and the Sunshine Coast, and from Brisbane to the Gold Coast.

New projects of \$4 billion including:

- Bruce Highway (\$425 million)
- Gateway Motorway (Bracken Ridge to Pine River) (\$800 million)
- Warrego Highway (\$320 million)
- Urban Congestion Fund (\$379 million)
- Roads of Strategic Importance (North) (\$824 million)
- Roads of Strategic Importance (South) (\$186 million)

South Australia

New projects of \$2.6 billion including:

- North-South Corridor (\$1.5 billion)
- SA Regional Roads Package (\$260 million)
- Urban Congestion Fund (\$341 million)
- Roads of Strategic Importance (\$220 million)

Western Australia

New projects worth \$1.6 billion including:

- Tonkin Highway (\$349 million)
- Fremantle Traffic Bridge (\$115 million)
- Albany Ring Road (\$140 million)
- Urban Congestion Fund (\$122 million)
- Roads of Strategic Importance (\$535 million)

Tasmania

New projects totalling \$313 million:

- Tasmanian Freight Rail Revitalisation Program (\$68 million)
- Urban Congestion Fund (\$35 million)
- Roads of Strategic Importance (\$210 million)

Northern Territory

- New projects totalling \$622 million, including \$492 million for Roads of Strategic Importance.

Australian Capital Territory

- New projects worth \$50 million, including \$30 million for Kings Highway.

Master Builders National Office team will be examining the detail of the measures summarised above over coming days and provide further analysis and commentary where relevant.

This document is not legal advice. Whilst every care has been taken in preparing this document, no responsibility will be accepted for actions taken in reliance upon information contained in this document.
