

MTAA Federal Budget Summary 2023-24

May 2023



On Tuesday 9 May, Treasurer Jim Chalmers delivered the Government's 2023-24 Federal Budget.

The Budget outlines the Government's spending and revenue priorities for 2023-24, as well as projections over next the four years. Some key business specific measures and economic projections outlined in this year's Budget are summarised below.

Economic position

- A small budget surplus of \$4.2 billion is forecast for 2022-23, followed by deficits over the next four years, peaking at -\$35.1 billion in 2024-25
- Economic growth (GDP) is projected to fall from 3.25 per cent in 2022-23 to 1.5 per cent in 2023-24 before recovering to 2.25 per cent in 2024-25
- Gross debt is forecast to be \$887 billion in 2022/23, then reaches \$923 billion in 2023-24 and over \$1 trillion by 2025-26
- Inflation is expected to return to target in 2024-25
- Unemployment is forecast to rise to 4.5 per cent by June quarter 2025
- Wages growth is expected to be four per cent in 2023-24 before settling back to 3.25 per cent in 2024-25.

Taxation

- There is no change to the planned third tranche of tax cuts legislated to come into effect next year. The stage-three tax cut will abolish the 37 per cent tax bracket, lower the 32.5 per cent bracket to 30 per cent and raise the threshold for the top tax bracket from \$180,001 to \$200,001
- \$2.4 billion in revenue from the Petroleum Resource Rent Tax by expanding it to cover offshore oil and gas projects in federal waters
- \$13.4 billion over the next five years from changes under the OECD framework to make multinationals pay a minimum level of tax.

Superannuation

- For superannuation funds valued at over \$3 million, the tax rate will increase to 30 per cent on earnings from 2025. From July 2026, employers will be required to pay superannuation at payday rather than quarterly.

Infrastructure

- The government has not announced any new funding for major new infrastructure projects in the budget. Instead, it has announced a 90-day review of the \$120 billion, 10-year infrastructure pipeline, covering a list of more than 700 projects.

Small business

- Energy rebates of up \$650 will be provided to one million small businesses, which are co-funded by each state/territory
- The instant asset write-off threshold will be increased to \$20,000 from July for 12 months. It will apply on a per-asset basis for small businesses with aggregated annual turnover of less than \$10 million

- Small Business Energy Incentive – small and medium businesses with a turnover of up to \$50 million will be able to claim an additional 20 per cent tax deduction on investments of up to \$100,000 in electrification and energy efficiency (electrifying heating and cooling systems, installing batteries, and switching to energy-saving electrical goods, but excludes electric vehicles)
- A new \$392.4 million Industry Growth Program to support small to medium-sized enterprises and startups to commercialise their ideas and grow their operations. Support will be targeted towards businesses operating in the priority areas of the National Reconstruction Fund
- From July 2024, small businesses will be permitted to authorise their tax agent to lodge multiple Single Touch Payroll forms on their behalf, reducing paperwork for small businesses
- \$23.4 million towards a Cyber Wardens program to help small businesses with the foundational skills they need to improve cyber safety.

Manufacturing

- The government has recommitted to establish the \$15 billion National Reconstruction Fund. The fund will deliver targeted co-investments in independently assessed projects across seven priority areas, including renewables and low emissions technologies, medical science, transport, value-add in agriculture, forestry, and fisheries, value-add in resources, defence capability, and enabling capabilities.

Energy and emissions reduction

- The hydrogen industry will receive \$2 billion which will primarily provide revenue support for investment in renewable hydrogen production through competitive production contracts
- \$450 million will go towards helping the largest industrial emitters make investments that help reduce their emissions. From July, large emitters will be required to cut or offset their emissions by almost five per cent each year to 2030
- A 'Net Zero Authority' will be established, which will support workers and businesses in emissions-intensive industries transition to cleaner industries.

Skills and education

- There have been no changes to the rate of apprenticeship incentives and no new money for TAFE beyond previously announced election commitments.

Migration

- The government will increase the Temporary Skilled Migration Income Threshold from \$53,900 to \$70,000 from July
- The cost to apply for a temporary or permanent visa will rise by six per cent. For people immigrating on working holiday visas and other short-stay visas, there will be a total increase of 21 per cent on application fees
- Two years extended stay period for Temporary Graduate visa holders (subclass 485).

- Temporary Skill Shortage (subclass 482) stream visa holders can access permanent residency via the Employer Nomination Scheme (subclass 186) and the limit of one onshore renewal will be removed
- A direct pathway for New Zealanders in Australia to attain citizenship from July. All Special Category Visa holders (subclass 444) can directly apply for citizenship so long as general residence and other eligibility requirements are met
- Reintroducing international student work hours cap to 48 hours per fortnight from 1 July 2023 with age care sector exempted from 48-hour limit until December
- \$370.8 million over four years to expand and improve the Pacific Australia Labour Mobility scheme
- \$75.8 million over two years to improve existing visa processing systems and \$50.0 million over four years from 2023-24 (and \$15.3 million per year ongoing) for additional enforcement and compliance activities.

Agriculture

- An extra one billion dollars over four years to strengthen Australia's biosecurity system. This will be partly funded through a 'biosecurity protection levy' on Australian producers of agricultural, forestry and fishery products from the middle of next year.

Disaster resilience and preparedness

- In 2023-24, the government will provide \$200 million through the Disaster Ready Fund to support projects across Australia, including levee and drainage system upgrades, building seawalls, bushfire risk reduction projects and more.

Heavy vehicle road user charge

- The heavy vehicle road user charge is being raised by six per cent a year for the next three years from 27.2 cents per litre of diesel to 32.4 cents by 2025-26.

Product Stewardship for Oil Scheme

- The Product Stewardship for Oil levy will increase from 8.5 cents per litre to 14.2 cents for specific oils and greases from 1 July 2023.

MTAA position

MTAA welcomes the small business support measures announced in the Federal Budget, such as the energy bill relief and instant asset write-off extension, however fundamental challenges lie ahead for the economy with rising debt and interest payments over the forward estimates necessitating structural reform. There is also considerable uncertainty in the global environment that may affect government forecasts.

Further details concerning the 2023-24 Federal Budget can be accessed at budget.gov.au



Contact

Geoff Gwilym

Chief Executive Officer

MTAA

M: 0417 350 159 | E: ggwilym@vacc.com.au | W: mtaa.com.au