



Victorian
Chamber of Commerce
and Industry



2021-2022 **FEDERAL BUDGET OVERVIEW**

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The Federal Government's 2021-22 Budget was handed down on 11 May 2021. This is a budget that is good news for business.

Importantly, it provides support to transition our economy from being stimulus-reliant to market driven growth.

It is a budget that activates business by providing support for the skills required, with \$6.4 billion to ensure that Australia has the skilled workforce to grow post COVID-19.

Equality is front and centre with a \$1.7 billion childcare package to lift women's participation in the workforce, and \$60 million to implement the Government's Respect@Work and increase women in STEM.

Following the big spending COVID-19 Budget in 2020, 2021-22 budget has a \$161 billion deficit revised down by \$52.7 billion and forecast to fall to \$57 billion by 2024-25. This shows prudent economic management.

Overview

The 2021-22 Federal Budget has delivered for Victorians with substantial and targeted support to grow business and jobs.

With a total commitment of \$74.6 billion the budget aims to create 250,000 jobs over the next two years. With eight out of 10 jobs now found in the private sector, growth in jobs can only come from growth in business.

\$7.8 billion in personal tax cuts will ensure that Victorians have more money to spend in Victorian businesses.

\$2.7 billion to extend the Boosting Apprenticeship Commencement Program will support 170,000 new apprentices and trainees by offering employers a 50 per cent wage subsidy over 12 months.

A further \$500 million has been committed to expand the [JobTrainer](#) Fund, providing free or low-cost training places in priority sectors.

More than \$1.7 billion has been allocated to make childcare more affordable. This change is expected to boost the level of GDP by up to \$1.5 billion per year.

An additional \$3.4 billion in infrastructure commitments is included for Victoria with road and rail upgrades within Melbourne and regional Victoria.

The focus on digitisation across all areas of the economy is much needed and welcomed by business, with funding to streamline and digitise regulation and \$1.2 billion to overhaul the government's online service platforms to increase efficiency.

Victoria is the med-tech and biotech capital of Australia and the tax cuts on intellectual property, as part of the Patent Box scheme, will allow for greater investment in innovation and commercialisation.

\$300 million has been provided to support exporters and businesses with freight assistance and support to diversify and expand export markets.

Importantly for business and an area that the Victorian Chamber has been strongly advocating for is an extension to temporary full expensing and temporary loss carry back, with both now extended till 2023.

There were some missed opportunities in this budget: the lack of funding for purpose-built quarantine facilities in all Australian states so that we can start opening our borders and further boosting our economic recovery; a lack of support to universities to bring back international students and to fund the gap created in research and development and innovation and commercialisation; and more substantive support for small tourism providers who will continue to be severely impacted by the lack of international travellers while Australia's borders remain effectively closed.

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Key Federal Budget outcomes for Victorian business

Jobs, skills and participation

- > \$2.7 billion to extend the Boosting Apprenticeship Commencements program
- > \$506.3 million to expand the JobTrainer Fund
- > \$23.6 million for developing foundational skills
- > \$121.1 million to simplify Australian apprenticeship pathways information
- > \$98.8 million to establish an Office of Supply Chain Resilience to provide ongoing capacity to coordinate the Government's efforts to boost supply chain resilience
- > \$481.2 million in the Transition to Work employment service
- > \$12.2 million in extending the National Careers Institute
- > \$213.5 million to extend the Local Jobs Program
- > \$15.6 million to increase wage subsidies for eligible participants in Jobactive
- > \$9.3 million in additional funding for income support
- > \$26.1 million to assist non-university higher education providers
- > \$9.4 million to provide grants to eligible higher education and English language providers to support innovative education models
- > \$43.8 million to expand the Cyber Security Skills Partnership Innovation Fund
- > \$149.2 million to establish industry owned Skills Enterprises to ensure the VET system is responsible to industry and employer skills needs
- > \$69.1 million to establish a new VET National Data Asset
- > \$30.9 million to rebuild the National Training Register
- > \$22.6 million to establish the Next Generation Emerging Technologies Graduates Program
- > \$10.7 million for the Digital Skills Cadetship pilots
- > \$129.8 million for the New Business Assistance with New Enterprise Assistance program

- > \$6.2 million to deliver Job Fairs
- > \$481.2 million for young people to secure employment

Industry and Innovation

- > \$58.6 million to support key gas infrastructure projects
- > \$1.2 billion Digital Economy Strategy
- > \$124.1 million to reduce barriers and increase adoption of artificial intelligence
- > \$316.7 million to assist businesses and industry lower emissions
- > \$565.8 million to establish international partnerships on practical low emissions projects
- > \$15.3 million to promote and accelerate the adoption of e-invoicing by businesses and across all levels of Government
- > \$12.7 million to expand the Australian Small Business Advisory Service Digital Solutions program
- > \$16.5 million to establish a National Freight Data Hub
- > \$125 million for Restart Investment to Sustain and Expand (RISE) grants to support festivals, events and new productions
- > \$11.1 million to support the delivery of nationally significant infrastructure projects through the Significant Projects Investment Delivery Office cap

Regional Victoria

- > \$256.5 million for the Building Better Regions Fund
- > \$371 million boost to biosecurity to keep pests and diseases out of Australia
- > \$198.2 million to support exporters and businesses and maximise opportunities to diversify export markets
- > \$1 million available for infrastructure and community investments for regional areas
- > \$103 million for farmers and communities to develop regional resilience plans for droughts

- > \$59.5 million to assist farmers harness new technologies and farming practices
- > \$84.8 million to extend the Regional Connectivity Program
- > \$29.8 million to help farmers attract and retain skilled workers

Women

- > \$1.7 billion childcare package to lift women's participation in the workforce
- > \$42.4 million to establish the Next Generation of Women in Science, Technology, Engineering and Mathematics Program
- > \$38.3 million in additional funding for the Women's Leadership and Development Program
- > \$13.9 million to establish the Early-Stage Social Enterprise Foundation
- > \$12.2 million to fund an additional round of the National Careers Institute Partnership Grants program
- > \$100 million allocated to Training support for women
- > \$47 million to services specialising in perinatal depression
- > \$21.6 million is going towards women's health initiatives, including education

Taxation

- > \$7.8 billion in personal income tax cuts
- > \$16 billion in tax cuts to small and medium businesses This includes reducing the tax rate for small and medium companies, from 30 per cent in 2014-15 to 25 per cent from 1 July 2021.
- > Low- and middle-income tax offset extended
- > \$11.6 million towards delivering a significant expansion of Australia's bilateral tax treaty network.
- > \$250,000 in tax breaks for breweries and distilleries
- > \$134.6 million deregulation package to reduce regulatory burdens on businesses, aiming to make it easier for businesses to employ workers across a range of sectors.

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Infrastructure

- > \$2 billion for initial investment in a new Melbourne Intermodal Terminal (Truganina or Beveridge)
- > \$380 million Pakenham Roads Upgrade
- > \$250 million Monash Roads Upgrade
- > \$92.8 million for multi-level commuter car parks at Heathmont, Berwick, Ferntree Gully, Frankston and Ringwood train stations
- > \$56.8 million in additional funding for the Hall Road Upgrade (Cranbourne – Frankston)
- > \$51.1 million for the Princes Highway East, between Rosedale and the New South Wales border
- > \$30.4 million in additional funding for the Western Port Highway Upgrade
- > \$20.7 million for the Princes Highway West between Colac and the South Australian border
- > \$17.5 million for a dairy roads package for tankers to better access farms in regional Victoria
- > \$15 million for the Melbourne to Mildura Roads 'Strategic Importance' freight corridors
- > \$10 million for the Outer Metropolitan Ring/ E6 Corridor Detailed Business case
- > \$10 million for the Mallacoota-Genoa Road Upgrade
- > \$1 billion for the Road Safety Program and targeted initiatives
- > \$12.1 million for the NHVR to fund engineering assessments for local government owned roads

Fiscal and economic outlook

- > \$600 The Federal Budget forecasts indicate that national economic conditions are expected to improve as the economy rebounds from COVID-19. The Australian economy is forecast to grow by 3.5% in 2021-22 before declining to 2% in 2022-23 and reaching 5% in 2024-25
- > While wage growth remains subdued (1.25% in 2020-21, increasing to 1.5% in 2021-22 then rising to 2.75% in 2024-25) the outlook for unemployment and jobs growth is strong, with the unemployment rate expected to decline from 5.5% in 2020-21 to 5% in mid-2022 and 4.75% in mid-2023, then levelling off at 4.5% in 2023-34 and 2024-25
- > Net debt is estimated to be \$617.5 billion in 2020-21 (30% of GDP), increasing to \$729 billion (34.2% of GDP) in 2021-22 and then rising to \$980.6 billion (40.9% of GDP) in 2024-25
- > Reflecting the ongoing challenge of protecting Australia from COVID-19, net overseas migration is assumed to be -77,000 persons in 2021-22 before returning to 95,900 persons in 2022-23, then 202,100 in 2023-24 and 235,000 in 2024-25
- > Population growth is forecast to be 0.2% in 2021-22 and 0.8% in 2022-23

Australia's economic forecast (%)	2020-21 forecast	2021-22 forecast	2022-23 forecast	2023-24 forecast	2024-25 forecast
Real GDP	1.25	4.25	2.5	2.25	2.25
Employment	6.5	1	1	1.25	1.25
Unemployment rate	5.5	5	4.75	4.5	4.5
Consumer price index	3.5	1.75	2.25	2.5	2.5
Wage price index	1.25	1.5	2.25	2.5	2.75

Sources: ABS Cat. No. 5206.0, 6202.0, 6345.0, 6401.0 and Treasury