

2022-23 Federal Budget Overview

Activating Victorian Business
October 2022



Overview

The 2023 Federal Budget was handed down on 25 October 2022. The Victorian Chamber supports the Government's economic plan to prioritise lowering national debt, improving workforce participation and skills development, while supporting business and industry to cope with the difficult domestic and international economic conditions ahead.

The Budget includes many recommendations included in our [2022-23 Federal Budget Submission](#). Particularly measures to address skills and labour shortages by maximising workforce participation among women, pensioners, and international students. These will have an immediate impact on businesses.

The Budget forecasts illustrate why it is important for the Government to continue to invest in initiatives that support business growth. The forecasts show GDP to grow at 3.5 per cent in 2022-23, falling to 1.5 per cent in 2023-24 due to global economic headwinds and pressure on households. The deficit has improved to \$36.9 billion in 2022-23, however this will grow over the next two years. Inflation is forecast to peak at 7.75 per cent in December 2022 and ease to 3.5 per cent by June 2024. Unemployment will remain at historical low levels even though it is forecast to increase to 4.5 per cent in 2023-24. Wages are not expected to outpace inflation until mid-2024.

The 2022-23 Budget focuses on three key themes: cost-of-living relief, resilience in Australia's economy and responsible budget repair.

New measures to address the rising cost-of-living include \$4.7 billion over four years to focus on early childhood support with additional child care subsidies eligible for 90 per cent of Australian families. Further mechanisms include expanding paid parental leave to 26 weeks, a housing affordability scheme and supporting a wage increase for low paid workers.

Measures to address skills and labour shortages include expanding the Permanent Migration Program by 195,000 in 2022-23 and relaxing work restrictions for student and secondary training visa holders. In addition to this the Government has committed to deliver 480,000 fee-free TAFE and community-based vocational education places over four years and providing 20,000 more university places to under-represented groups to study in areas of in-demand skills.

Energy is also a key focus of the Budget with new commitments in renewable energy investment, including \$1.9 billion towards the Powering the Regions fund to transform regional industries. Further, the Driving the Nation fund will also contribute to reducing transport emissions and electric vehicle charging infrastructure. Energy efficiency upgrades for small and medium-sized businesses will also be available with a commitment of \$62.6 million, which will be a crucial mechanism to reduce energy costs in the short and medium term.

Support for industry will come through the establishment of a National Reconstruction Fund that will provide \$15 billion of capital to grow our industrial base, diversify our economy, and boost regional development. The Fund will provide loans, guarantees and equity to partner with the private sector to grow the industrial base and support regional development. It will focus on agriculture, resources, medical science, transport, renewable and low emissions technologies, and defence capability.



We are pleased to see support for the tourism industry included in this Budget to aid its recovery. A significant \$171.6 million over four years to support Australian trade and tourism, including initiatives to support recruitment and marketing in the tourism and travel sectors.

The Budget provides funding for infrastructure projects with a total of \$120 billion invested in Australia over the next 10 years. In Victoria, the Suburban Rail Loop will receive \$2.2 billion in funding over five years, Barwon Heads Road will receive \$125 million, and the Geelong City Deal will receive \$155 million between 2022-2024.

The Victorian Chamber had hoped for support for an inter-modal freight terminal in Western Melbourne, the expansion of the Export Market Development Grant (EDMG) as well as creating a Tourism Resilience Fund for our visitor economy. These are key for Victorian industries and we are optimistic that they will be funded in the future.

The Victorian Chamber is pleased that the Budget includes many initiatives we advocated strongly for, particularly measures addressing skills and labour shortages, maximising workforce participation among women, pensioners, and international students. It is a reasonable start, but funding to improve business conditions as Australia faces multiple economic stressors, both domestic and abroad, must be a strong focus into the future.

Key Federal Budget outcomes for Victorian businesses

Activating Victorian business

Migration

- Expanding the Permanent Migration Program by 195,000 in 2022-23.
- \$42.2 million over two years to increase visa processing capacity and raise awareness of opportunities for high-skilled migrants in Australia's Permanent Migration Program.
- Relaxing work restrictions for student and secondary training visa holders to enable them to work additional hours in any sector until 30 June 2023.
- \$175.1 million over four years from 2022-23 (and \$80 million per year ongoing from 2026-27), to boost permanent migration to Australia by creating a new Pacific Engagement Visa for nationals of Pacific Island countries and Timor-Leste, with up to 3,000 places per year made available in addition to the existing permanent Migration Program.
- \$20 million over four years to provide more flexible delivery options for the Adult Migrant English Program and increase case management support to students.

Tax

- \$80.3 million for the Australian Taxation Office (ATO) to extend the Personal Income Taxation Compliance Program for two years.
- Boosted funding for the ATO Tax Avoidance Taskforce by around \$200 million per year over four years.
- \$30.4 million over four years to the Tax Practitioners Board (TPB) to increase compliance investigations into high-risk tax practitioners and unregistered preparers.
- Introduction of an anti-avoidance rule to prevent global entities (with global revenue of at least \$1 billion) from claiming tax deductions for payments made directly or indirectly to related parties in relation to intangibles held in low- or no-tax jurisdictions.

- Closing tax loopholes for multinationals through:
 - A multinational tax integrity package which raises \$1 billion over four years.
 - Extending compliance programs for tax avoidance, shadow economy and personal income tax, which raises \$3.7 billion over four years.

Child Care and Paid Parental Leave

- \$4.7 billion over four years (and \$1.7 billion per year ongoing) to deliver cheaper child care and reduce barriers to workforce participation.
- \$531.6 million over four years from 2022-23 to strengthen and expand the Paid Parental Leave (PPL) scheme to 26 weeks for working parents.

Skills, Education and Training

- Delivering 480,000 fee-free TAFE and community-based vocational education places over four years and providing 20,000 more university places to under-represented groups to study in areas of in-demand skills. Starting with a \$1 billion agreement with the states and territories to provide 180,000 fee-free TAFE and community based vocational education places over four years.
- \$50 million over five years for a TAFE Technology Fund to modernise TAFEs, enabling students to take advantage of up-to-date IT facilities, workshops, and laboratories.
- \$485.5 million over four years from 2022-23 (and \$563.8 million over 11 years) for 20,000 additional Commonwealth supported places at universities and other higher education providers commencing in 2023 and 2024.
- \$12.3 million over four years from 2022-23 to develop and deliver a new national study on adult literacy, numeracy, and digital literacy skills.
- \$15.4 million over four years from 2022-23 (and \$4.2 million per year ongoing) from the Australian Skills Quality Authority will be redirected to the Department of Employment and Workplace Relations to temporarily undertake assurance of training packages from 1 January 2023.

Small Business

- \$15.1 million over two calendar years from 1 January 2023 until 31 December 2024 to extend the tailored small business mental health and financial counselling programs, NewAccess for Small Business Owners, and the Small Business Debt Helpline.
- Retaining the 20 per cent tax deduction boost for small businesses to upskill employees and embrace new technology as well as the instant asset write off for small and medium businesses.
- \$3.4 million over four years from 2022–23 to support the development and delivery of education, technical advice and support services targeting the needs of small business employers to support the implementation of 10 days of paid family and domestic violence leave.

Visitor Economy

- \$171.6 million over four years to support Australia trade and tourism, including:
 - \$48 million over four years to support recruitment and marketing in the tourism and travel sectors and for infrastructure upgrades to caravan parks.
 - Up to \$100 million over four years for Australia's participation in World Expo 2050 hosted in Japan.
 - \$4 million over two years for the Department of Foreign Affairs and Trade to support Australia's trade diversification.
- \$36.8 million over four years to support the arts sector.
- \$139.9 million over three years to support the aviation sector.
- \$17 million to co-invest with states on strategic projects that increase the supply of Indigenous tourism experiences and/or create supply chain opportunities for Indigenous tourism businesses.

Building for our Future

Regional Victoria

- \$2.4 billion investment in NBN Co to extend fiber access to 1.5 million more premises, including over 660,000 homes in regional Australia.
- \$1.2 billion for the Better Connectivity for Regional and Rural Australia Plan to enhance connectivity.
- \$1.9 billion for a Powering the Regions Fund to help transform regional industries and help regional Australians access the economic opportunities of decarbonisation.
- \$155 million towards the Geelong City Deal between 2022-2024.
- \$125 million for the Barwon Heads Road Upgrade, Stage Two.
- \$23.1 million for upgrades in Wodonga between 2022-2024.

Industry

- \$15 billion National Reconstruction Fund, providing loans, guarantees and equity to partner with the private sector to grow the industrial base and support regional development. The fund will focus on agriculture, resources, medical science, transport, renewable and low emissions technologies, and defence capability.

Manufacturing

- Redirecting \$506.4 million of funding measures over four years from the Industry and Science Portfolio, including: \$303.7 million over three years for reversing uncommitted funding in the Modern Manufacturing Initiative and not proceeding with a third round of the Manufacturing Modernisation Fund.
- \$135.5 million over four years to support Australian industry to develop domestic manufacturing capabilities and upskill the manufacturing sector workforce.

Infrastructure

- \$10 billion investment in the Housing Australia Future Fund, which will fund the delivery of 30,000 social and affordable homes over five years, and allocate \$330 million for acute housing needs.
- \$350 million over five years to support funding of an additional 10,000 affordable homes under a Housing Accord.
- \$2.2 billion over five years for the Suburban Rail Loop.
- \$2.4 billion expansion of the NBN over the next four years to boost digital capability.

Energy

- The Driving the Nation Fund investing \$500 million to help reduce transport emissions, including electric vehicle charging infrastructure.
- \$224.3 million over three years to deploy 400 community batteries across Australia.
- \$102.2 million for the Community Solar Banks program to help up to 25,000 households access cheap solar-powered energy.
- \$20 billion in funding to provide concessional loans and equity to invest in transmission infrastructure projects, Rewiring the Nation.
- \$100 million to the New Energy Apprenticeships and New Energy Skills programs.
- \$62.6 million to support small and medium-sized businesses in improving their energy efficiency and reducing energy use.
- \$146.1 million over five years for the Australian Renewable Energy Agency to co-invest in projects to reduce emissions from Australia's road transport sector.
- \$89.5 million over six years for the Hydrogen Highways initiative to fund the creation of hydrogen refueling stations on Australia's busiest freight routes.

- \$39.8 million over five years from 2022–23 to establish a National Electric Vehicle Charging Network to deliver 117 fast charging stations on highways across Australia.
- \$157.9 million over six years and \$1.1 million per year ongoing to support the implementation of the National Energy Transformation Partnership which will deliver cleaner and more secure and reliable energy for Australians.

Environment and Climate

- \$42.6 million investment in restoring Australia's Climate Change Authority.
- \$105.2 million to support First Nations people to respond to climate change in their communities.
- \$7.1 million to reduce Government emissions to net zero by 2030.
- \$39.1 million investment to Australian Public Service's climate expertise.
- \$91.1 million over six years will clean up and restore urban waterways, protect local species and improve livability for community's export.

Victorian Chamber priorities addressed

The Victorian Chamber's two themes of 'Activating Victorian Business' and 'Building for our Future' set the scene for the priorities put forward to the Federal Government as part the Victorian business community's agenda.

Eight of Victorian Chamber's specific priorities were addressed in the budget:

Fully addressed priorities

1	Recognise more foreign qualifications, work experience and training of migrant workers, particularly in areas with critical skills shortages, to allow skilled migrants to work in their fields of expertise.
2	Change post-study visa duration for international students from between two to four years to a minimum of four years to encourage industry to invest in international talent.
3	Allow all international students to work up to 25 hours per week throughout their study so that they can afford the high cost of living in Australia and help provide local businesses with the staff they need to fill job vacancies.
4	Scale up the Hydrogen Energy Supply Chain Project or invite a similar public-private ventures to boost Victoria's advanced manufacturing sector and produce a secure, reliable, domestic supply of hydrogen.
5	Fund more ultra-rapid electric vehicle charging stations or provide further support for the charging vehicle network to encourage more Australians to transition to electric vehicles.

Partially addressed priorities

1	Support the creation of more apprenticeships and traineeships by recommencing the Boosting Apprenticeships Commencement Scheme.
2	Provide a national roadmap on how Australia effectively transitions towards renewable energy to businesses so that they can plan for and commence the transition to clean energy.
3	Allow more Australians to access VET (Vocational Education and Training) Student Loans by restoring the Student Loan Fee exemption and broadening eligibility to Certificate III and IV qualifications to Victoria's skilled labour pool.





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The Victorian Chamber of Commerce and Industry,
150 Collins Street, Melbourne, Victoria 3000
Phone: (03) 8662 5333 victorianchamber.com.au Oct 2022

victorianchamber.com.au