



## Federal budget supports home ownership

### Overview

This year's federal Budget has fallen at an interesting time. So close to a federal election it was anticipated that the government would leverage the Budget announcements to appeal to the electorate. However, in the context of concerns about accelerating inflation it was expected that the expenditure levels of the previous two years would not be maintained. Rather than a customary 'pre-election Budget', the government has sought to strike a balance between ensuring adequate spending to sustain an economic recovery as pandemic supports are withdrawn, while also responding to community concerns over the rising cost-of-living.

The Australian economy has come a long way since the onset of the pandemic in 2020. During that time, we have seen a Budget with crisis level spending followed by a Budget focused on supporting Australia's recovery. Funding commitments made over the last two years will see expenditure remain high for several years to come and continue to provide economic support. Stronger than expected revenues were generated over the past year, allowing the Government to focus on stabilising gross debt as a proportion of the economy while still making substantial investments in infrastructure, skills, the digital economy and energy.

Navigating the transition from the expansionary fiscal policies enacted in response to the pandemic to a focus on repairing the nation's balance sheet will be a task for the next parliament.

### Housing measures in the budget include:

- Increasing the number of guarantees under the Home Guarantee Scheme to 50,000 per year for 3 years with:
  - 35,000 places for the First Home Guarantee (being both the First Home Loan Deposit Scheme and the New Home Guarantee scheme)
  - 5,000 places for the Family Home Guarantee
  - 10,000 places for the Regional Home Guarantee (new homes only)
- Extension of the Indigenous Home Ownership Program.
- Three month extension to the Boosting Apprenticeship Commencements (BAC) and Completing Apprenticeship Commencements (CAC) wage subsidy.
- The new Australian Apprentice Incentive System will apply from 1 July which provides financial support for employers and apprentices.

### Other measures to support business include:

- Temporary 50 per cent reduction in the fuel excise for 6 months.
- Small Business skills and training boost to support business train and upskill their employees.
- Small Business technology investment boost will enable deduction of an additional 20 per cent of the cost of business expenses and depreciating assets that support adoption of digital technology.



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## Economic Outlook

### Key Treasury Forecasts underlying Budget 2022/23:

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Underlying Cash Balance (\$ billions)	-134.2	-79.8	-78.0	-56.5	-47.1	-43.1
Underlying Cash Balance (Per cent of GDP)	-6.5	-3.5	-3.4	-2.4	-1.9	-1.6
Unemployment Rate	5.1	4	3.75	3.75	3.75	4.0
Consumer price index	3.8	4.25	3.0	2.75	2.75	2.5
Real GDP Growth	1.5	4.25	3.5	2.5	2.5	2.5
Dwelling Investment Growth	3.2	5.0	3.5	-0.5	-	-
Total business investment Growth	-1.5	5.5	9.0	1.0	-	-
<i>Mining investment</i>	-1.4	0.5	9.5	1.5	-	-
<i>Non-mining investment</i>	-1.5	7.0	9.0	1.0	-	-

In the 2021/22 Budget, the Treasurer stated the intention to implement an expansionary Budget until the unemployment rate is below the pre-pandemic levels. In February 2022, Australia's unemployment rate fell to 4.0 per cent, well below the 5.0 per cent predicted in the 2021/22 Budget papers and lower than the 4.5 per cent predicted in the 2021/22 Mid-Year Economic and Fiscal Outlook (MYEFO). This is the lowest unemployment rate since August 2008 and significantly lower than pre-pandemic levels.

In the RBA's February Statement of Monetary Policy, they forecast unemployment will be 4.0 per cent in June 2022 before falling to 3.75 by the end of the year. Budget projections indicate the unemployment rate is expected to drop to 3.75 in 2022/23 and remaining at that level until 2024/25.

This low unemployment comes as inflationary pressures mount and the increasing cost of living is front of mind for the majority of Australians. Inflation rose by 3.5 per cent in 2021, almost half of this was driven by just two sectors – fuel prices and home building costs. The RBA were discounting much of the increase in CPI from 2021 as they were due to short-term events and were expected to ease. Geo-political events threaten to entrench these cost increases.

Treasury's expectations for inflation have strengthened since last year's Budget (May 2021). The consumer price index is now forecast to be 4.25 per cent in 2021/22, which is up from the 1.75 per cent predicted in May 2021's Budget and the 2.75 per cent predicted in the MYEFO. The consumer price index is predicted to be 3.0 in 2022/23, which is revised up from 2.5 per cent in the MYEFO.

Even with these strong levels of inflation, wages growth is only expected to be 3.25 per cent in 2022/23, up from 2.75 in the MYEFO.

Business investment was experiencing a stronger than expected recovery in the MYEFO, boosted by temporary business tax incentives. As a result, total business investment in 2021/22 was upgraded from 1.5 per cent in the Budget to 7.5 in the MYEFO. This was driven by non-mining investment, but mining investment was also upgraded. Total business investment in 2022/23 was forecast to be 8.0 per cent in the MYEFO.

Average commodity prices were higher in the MYEFO than assumed in the budget after reaching record highs during the year. In the 2021/22 MYEFO the iron ore price was assumed to decline to US\$55 per tonne and metallurgical and thermal coal prices were assumed to decline to US\$130 and US\$60 respectively. Actual prices exceeded these forecasts in 2021/22 at US\$134 per tonne for iron ore, \$512 per tonne for metallurgical coal and \$320 tonne for thermal coal.

Due to the volatile and uncertain nature of commodity prices, Treasury has maintained a conservative approach in their assumed prices for 2022/23.

Treasury's forecast for economic growth is unchanged from last year's MYEFO. Growth in real Gross Domestic Product (GDP) is forecast to be 3.5 per cent in 2022/23. GDP growth is forecast to be 2.5 per cent in 2023/24 and remain at that level for the forecast horizon.



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With an end to emergency spending measures, a shift to budget recovery and increased revenues, the Budget deficit in 2021/22 is projected to be \$79.8 billion (or 3.5 percent of GDP) instead of the \$99.2 billion (4.5 per cent of GDP) forecast in the MYEFO.

Budget projections show the deficit improving over the forecast horizon, reaching \$78.0 billion in 2022/23, \$56.5 billion in 2023/24 and \$47.1 billion in 2024/25.

## Population & housing

Population growth is forecast to gradually return to the pre-pandemic level with net overseas migration reaching 235,000 per year in 2024/25 and 2025/26. This is consistent with the Centre for Population's *Population Statement* released in December which forecasts net overseas migration to reach 235,000 in 2024/25. The Centre for Population forecasts Australia's population growth rate to be just 0.3 per cent in 2021/22 before improving to 1.2 per cent in 2022/23 and 1.3 per cent in 2023/24. This is slower than Australia's pre-pandemic growth rate of 1.5 per cent.

There was no change to the Government's 160,000 cap on permanent migration. However within the cap the composition of migrants will change seeing more skilled worker visas and fewer family visas allocated. This move returns to the balance that existed prior to the disruptions to international travel.

Despite this return to growth, Australia's population is expected to be 1.5 million people lower after 10 years than expected before COVID-19. This will have an impact on demand for residential construction throughout this period.

While short-term investment in residential building is strong due to HomeBuilder, higher personal savings and low interest rates, Treasury projections show investment declining by 0.5 per cent in 2023/24. HIA's outlook is more pessimistic with a decline in dwelling investment of 3.4 per cent due to investment also being impacted by a rise in interest rates for the same period.

## Budget Measures

### Housing Specific Measures

Following the announcement of several significant housing related policies in the lead up to the Budget, there were few additional housing related policy measures set out in the Budget. The schemes which provide home buyers with a deposit guarantee (e.g. the First Home Loan Deposit Guarantee and the New Home Guarantee) are now grouped together under the 'Home Guarantee Scheme' banner, with a new regional component being added to the program. The scheme components include:

#### Family Home Guarantee

5,000 places per year to 30 June 2025 for the Family Home Guarantee. This allows single parents who don't own their own home to purchase a home, new or existing, with a 2 percent deposit, subject to meeting other eligibility criteria.

#### First Home Guarantee

35,000 guarantees per year ongoing for the First Home Guarantee. This enables first home buyers with a 5 per cent deposit to purchase a home, new or existing, subject to meeting other eligibility criteria.

#### Regional Home Guarantee

From 1 October 2022, 10,000 places per year to 30 June 2025 for a new Regional Home Guarantee will enable people to purchase a new home in a regional location with a 5 per cent deposit. This scheme is open to those who have owned a home before but not in the previous five years and first home buyers. This scheme is also open to permanent residents, rather than limited to Australian citizens. The price thresholds for this scheme are yet to be determined and will be published prior to the 1 October 2022 start date.



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## **National Housing Finance and Investment Corporation Bond Aggregator**

The Government will increase the guaranteed liability cap of the National Housing and Finance and Investment Corporation (NHFIC) by \$2.0 billion to \$5.5 billion to enable NHFIC to support increased loans through the Affordable Housing Aggregator. This will provide increased support for affordable rental housing delivered by community housing providers.

## **Indigenous Home Ownership Program Extension**

The Government will re-profile existing funding provided to Indigenous Business Australia for regional housing construction loans as part of the Indigenous Home Ownership Program, at a cost of \$7.7 million over 5 years from 2021-22. More than \$100.0 million remains available from the Government's equity injection into the program to support new loans which will boost housing construction, create jobs and increase rates of Indigenous home ownership in regional Australia.

## **Support for Businesses**

### **Small Business – skills and training boost**

The Government is introducing a skills and training boost to support small businesses to train and upskill their employees. The boost will apply to eligible expenditure incurred from 7:30pm (AEDT) on 29 March 2022 (Budget night) until 30 June 2024.

Small businesses (with aggregated annual turnover of less than \$50 million) will be able to deduct an additional 20 per cent of expenditure incurred on external training courses provided to their employees. The external training courses will need to be provided to employees in Australia or online and delivered by entities registered in Australia.

Some exclusions will apply, such as for in-house or on-the-job training, and expenditure on external training courses for persons other than employees.

### **Small Business – technology investment boost**

The Government is introducing a technology investment boost to support digital adoption by small businesses. The boost will apply to eligible expenditure incurred from 7:30pm (AEDT) on 29 March 2022 (Budget night) until 30 June 2023.

Small businesses (with aggregated annual turnover of less than \$50 million) will be able to deduct an additional 20 per cent of the cost incurred on business expenses and depreciating assets that support their digital adoption, such as portable payment devices, cyber security systems or subscriptions to cloud-based services.

An annual cap will apply in each qualifying income year so that expenditure up to \$100,000 will be eligible for the boost.

### **Commonwealth's Deregulation Agenda**

The Government will provide \$1.4 million over 2 years from 2022-23 to the Attorney-General's Department to progress a national approach to modernise the execution of common legal documents.

### **Insolvency Reform**

The Government will provide \$29.8 million over 4 years from 2022-23 to further reform insolvency arrangements. Funding includes \$22.0 million to implement reforms to unfair preference rules, including enhancing the Assetless Administration Fund, from 1 July 2023; \$7.0 million to clarify the treatment of trusts with corporate trustees under Australia's insolvency laws; \$0.8 million in 2022-23 to implement the Government's response to the recommendations of the Independent Safe Harbour Review.

### **Modernising reporting systems including the Taxable Payments Reporting System**

The Government will provide businesses the option to report Taxable Payments Reporting System data (via accounting software) on the same lodgement cycle as their activity statements. It is anticipated that systems will be in place by 31 December 2023, with the measure to commence on 1 January 2024, for application to periods starting on or after that date. This measure will increase the





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accuracy and timeliness of reporting while lowering compliance costs for taxpayers. The Government will consult with affected stakeholders, tax practitioners and digital service providers to finalise the policy scope, design and specifications of the measure. This measure is estimated to result in an unquantifiable impact on receipts over the forward estimates period.

## Regional Australia

### Regional Accelerator Program

The Government will provide \$2.0 billion over 5 years from 2022-23 to establish the Regional Accelerator Program (RAP) to drive transformative economic growth and productivity in regional areas. The RAP will provide dedicated funding for regional businesses and communities to access programs targeted to local priorities in infrastructure, manufacturing and industry development, skills and training, research and development, and education.

Programs receiving the regional extension funding include (but are not limited to) the Modern Manufacturing Initiative, Australian Apprenticeships initiatives, Critical Minerals Accelerator Initiative, Export Market Development Grants, Recycling Modernisation Fund and Defence Industry programs.

## Skills, Training and Job Creation

### Extension of the BAC and CAC wage subsidy to June 2022

\$365.3 million has been committed to extend the Boosting Apprenticeship Commencements and Completing Apprenticeship Commencements wage subsidies that are already in place by 3 months to end on 30 June 2022. This will further support employers taking on and retaining new apprentices.

### Australian Apprenticeships Support System

From 1 July 2022, a new Australian Apprenticeships Incentive System will commence, providing an alternate arrangement to support employers and apprentices in priority occupations. \$954 million has been allocated over 5 years. The new arrangement includes:

- A new Australian Apprenticeships Priority List will be established, which sets out the occupations with an apprenticeship or traineeship pathway that have strong current and future demand. The list is based on the National Skills Commission analysis and will be updated every year.
- From 1 July 2022 - 30 June 2024 -providing wage subsidies of 10 per cent in first year, 10 per cent in 2nd year and 5 per cent in 3rd year but only to those occupations on the priority list.
- From 1 July 2024, support will transition to target employers and apprentices in priority occupations, including a \$4,000 hiring incentive for employers and an Australian Apprentice Training Support Payment of up to \$3,000 paid to apprentices.
- Up to a \$5,000 Apprentice in training support payment will apply for those in a priority occupation (\$1,250 every six months for two years) to the apprentice or trainee.
- Employers of apprentices in non-priority occupations will also receive a \$3,500 hiring incentive.

### Women's Leadership Package

\$38.6 million over 4 years from 2022-23 (and \$9.3 million per year ongoing) has been allocated to provide additional support for women who commence in trade occupations that are higher paying trade occupation on the Australian Apprenticeships Priority List, in order to boost the number of women participating in these roles.



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## Support for Households

### Addressing Cost of Living Pressures – temporary reduction in fuel excise

The Government will help reduce the burden of higher fuel prices at home by halving the excise and excise-equivalent customs duty rate that applies to petrol and diesel for 6 months.

The excise and excise-equivalent customs duty rates for all other fuel and petroleum-based products, except aviation fuels, will also be reduced by 50 per cent for 6 months. The Government is seeking to reduce cost of living pressures experienced by Australian households and small businesses.

### Cost of living tax offset – increasing the low and middle income personal tax offset (LMITO)

The Government will increase the low and middle income tax offset (LMITO) for the 2021-22 income year. LMITO is targeted at low- and middle-income earners that are most susceptible to cost of living pressures.

This proposal will increase the LMITO by \$420 for the 2021-22 income year. This increases the maximum LMITO benefit in 2021-22 to \$1,500 for individuals and \$3,000 for couples.

## Infrastructure Investment Measures

There were a broad range of measures to boost investment in infrastructure around the country set out in the Budget, with funding for projects already in the pipeline and several new projects.

### New South Wales

The Government will provide \$3.3 billion from 2021-22 to fund priority road and rail projects in New South Wales to support economic recovery and jobs, increasing the Government's total commitment to transport infrastructure in New South Wales to \$48.5 billion since 2013-14. Funding includes:

- \$1.0 billion for the Sydney to Newcastle – Tuggerah to Wyong Faster Rail Upgrade
- \$352.0 million for the Milton Ulladulla Bypass
- \$336.0 million for the Pacific Highway, Wyong Town Centre
- \$300.0 million for Grade Separating Road Interfaces
- \$264.0 million for the Newell Highway 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
- \$100.0 million for the Southern Connector Road, Jindabyne
- \$95.6 million for Picton Bypass and Picton Road – Planning
- \$77.5 million for Sydney Metro – Western Sydney Airport – Stage 2 Business Case
- \$75.0 million for the Wakehurst Parkway
- \$65.0 million for the Hume Highway Intersection Upgrade, M5 Motorway – Moorebank Avenue
- \$51.2 million for the Central Coast Highway – Tumbi Road Intersection Upgrade
- \$30.0 million for the Tenterfield to Newcastle Corridor Upgrade
- \$25.0 million for Richmond Road Stage 1 – Elara Boulevard to Heritage Road, Marsden Park
- \$20.0 million for the Toowoomba to Seymour Corridor Upgrade.

### Victoria

The Government will provide \$3.4 billion from 2021-22 to fund priority road and rail projects in Victoria to support economic recovery and jobs, increasing the Government's total commitment to transport infrastructure in Victoria to \$35.5 billion since 2013-14. Funding includes:

- \$1.2 billion for delivery of the Beveridge Interstate Freight Terminal
- \$920.0 million for the Outer Metropolitan Ring Rail South
- \$740.0 million for the delivery of the Western Interstate Freight Terminal
- \$280.0 million for the Beveridge Interstate Freight Terminal road connections, including Camerons Lane
- \$109.5 million for the Mickleham Road Upgrade
- \$45.0 million for Ballarat to Ouyen Corridor Upgrade
- \$23.1 million for the Canterbury Road Upgrade.



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## Queensland

The Government will provide \$3.3 billion from 2021-22 to fund priority road and rail infrastructure projects in Queensland to support economic recovery and jobs, increasing the Government's total commitment to transport infrastructure in Queensland to over \$35.9 billion since 2013-14. Funding includes:

- \$1.6 billion for the Brisbane to the Sunshine Coast – Beerwah-Maroochydore Rail Extension
- \$1.1 billion for the Brisbane to the Gold Coast – Kuraby-Beenleigh Faster Rail Upgrade
- \$190.0 million for the Mount Isa to Rockhampton Corridor Upgrade
- \$114.4 million for the Tennant Creek to Townsville Corridor Upgrade
- \$68.5 million for the Cooktown to Weipa Corridor Upgrade
- \$36.2 million for the Wyaga Creek Flood Improvement Project
- \$31.6 million for the Cairns to Northern Territory Border Corridor Upgrade
- \$27.2 million for Bruce Highway Upgrade – Business Cases, including Anzac Avenue to Uhlmann Road, Buchanan Road to Caboolture Bribie Island Road, and Uhlmann Road to Buchanan Road
- \$22.5 million for the Brisbane Olympic and Paralympic Games 2032 – Business Case Development
- \$19.1 million for the Townsville to Roma Corridor Upgrade
- \$14.4 million for the Phillips Creek Bridge Replacement Project
- \$11.0 million for the Coomera Connector Future Stages Business Case.

## South Australia

The Government will provide \$2.8 billion from 2021-22 to fund priority road projects in South Australia to support economic recovery and jobs, increasing the Government's total commitment to transport infrastructure in South Australia to \$13.7 billion since 2013-14. Funding includes:

- \$2.3 billion for the North-South Corridor – Darlington to Anzac Highway
- \$200.0 million for Marion Road – Anzac Highway to Cross Road
- \$120.0 million for the Adelaide Hills Productivity and Road Safety Package
- \$60.0 million for South East Freeway Managed Motorways – Stage 2
- \$60.0 million for Targeted Investments to Improve National Supply Chain Resilience
- \$50.0 million for the Rural Roads Package including the Horrocks Highway Corridor and Safety Package
- \$20.0 million for the Marion Road and Sir Donald Bradman Drive Intersection Upgrade
- \$16.2 million for the Port Augusta to Perth Corridor Upgrade
- \$16.0 million for the Main South Road Productivity Package
- \$9.6 million for the South Eastern Freeway Safety Upgrade.

## Western Australia

The Government will provide \$1.7 billion over from 2021-22 to fund priority road and rail projects in Western Australia to support economic recovery and jobs, increasing the Government's total commitment to transport infrastructure in Western Australia to \$20.2 billion since 2013-14. Funding includes:

- \$441.2 million for the METRONET, including the Thornlie-Cockburn Link, High Capacity Signalling, Morrison Road Level Crossing Removal and the Yanchep Rail Extension projects
- \$320.0 million for Stages 2 and 3 of the Bunbury Outer Ring Road
- \$200.0 million for Stage 3 of the Tonkin Highway Extension
- \$178.0 million for Stages 1 and 2 of the Pinjarra Heavy Haulage Deviation
- \$145.0 million for the Thomas Road Dual Carriageway, South Western Highway to Tonkin Highway and the Interchange at Tonkin Highway
- \$140.0 million for Regional Road Safety Upgrades
- \$50.0 million for the Tonkin Highway – North Ellenbrook Interchange
- \$48.0 million for Moorine Rock to Mount Holland Road Upgrades
- \$40.0 million for Newman to Katherine Corridor Upgrade – Great Northern Highway Upgrade – Newman to Port Headland Overtaking Lanes



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- \$25.0 million for the Fremantle Traffic Bridge – Swan River Crossing
- \$25.0 million for the Perth CBD Transport Plan – Causeway Bridge
- \$22.4 million for the Mid-West Secondary Freight Network.

## Tasmania

The Government will provide \$639.9 million from 2022-23 to fund priority road and rail projects in Tasmania to support economic recovery and jobs, increasing the Government's total commitment to transport infrastructure in Tasmania to over \$4.5 billion since 2013-14. Funding includes:

- \$336.0 million for the Tasmanian Roads Package – Northern Roads Package – Stage 2
- \$100.0 million for Great Eastern Drive Tourism Support – Additional Packages
- \$96.0 million for the Tasmanian Freight Rail Revitalisation Program – Tranche 4
- \$56.0 million for the Tasmanian Roads Package – Tasman Highway Sideling Upgrade – Stage 2
- \$24.0 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

The Government will provide \$237.0 million from 2022-23 to fund priority road projects in the Northern Territory to support economic recovery and jobs, increasing the Government's total commitment to transport infrastructure in the Northern Territory to \$3.7 billion since 2013-14. Funding includes:

- \$132.0 million for Central Australian Tourism Roads
- \$55.0 million for the Tiger Brennan Drive and Berrimah Road Intersection Upgrade
- \$50.0 million for the Alice Springs to Halls Creek Corridor Upgrade.

## Australian Capital Territory

The Government will provide \$51.0 million from 2022-23 to fund priority road projects in the Australian Capital Territory to support economic recovery and jobs, increasing the Government's total commitment to transport infrastructure in the Australian Capital Territory to over \$1.3 billion since 2013-14. Funding includes:

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

## Other notable measures

### Migration Program — 2022-23 planning levels

The Government will maintain the 2022-23 permanent Migration Program planning level at 160,000. Skill stream places will increase from the 2021-22 planning levels to 109,900, and account for around 70 per cent of the permanent Migration Program.

### Supporting the forestry industry

\$86.2 million over 5 years from 2021-22 to work with states and territories to support the establishment of new plantations to secure future wood supply.

### Commonwealth's Deregulation Agenda

\$19.9 million over 4 years from 2021-22 to the Australian Bureau of Statistics to develop a new reporting application to enable businesses to submit surveys on business indicators directly through their accounting software.

For further information regarding Budget 2022/23, please contact:

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