

### Federal Budget 2022-23 Overview

On Tuesday 29 March 2022, Treasurer Josh Frydenberg handed down the 2022-23 Federal Budget, the third budget in the COVID-19 pandemic era. This budget delivered a range of initiatives to help ease the cost of living for individuals and families, with a “**cost of living**” tax offset and a temporary **relief on fuel excise** to lower prices at the pump.

While there have been some investments to benefit business through **skills, digital and red tape reduction**, this budget reflected no strong long-term agenda for business. Industries such as **tourism and manufacturing** received some targeted support, as well as measures to support **export trade**.

The missed opportunity however is immediate relief for SMEs from the increasing operational, labour costs pressures, as well as housing supply and affordability issues.

In summary the budget focuses on addressing some of the Queensland priorities and pillars for businesses, now is the time for the state government budget in June to further accelerate these initiatives for the benefits of Qld SMEs and regional Queensland.

See CCIQ’s media release in response to the Federal Budget 2022-23 [here](#).

### Economic and Fiscal position

*Source: Australian Chamber of Commerce and Industry, 29 March 2022*

Since MYEFO the **underlying cash balance** has improved \$103.6 billion over the 5 years to 2025-25 and is now projected to be negative \$79.8 billion (-6.1% of GDP) in 2021-22, improving to negative \$78 billion (-3.4% of GDP) in 2022-23, then negative \$43.1 billion (-1.6% of GDP) by 2025-26.

The strength of the economy, in particular the labour market, combined with higher commodity prices, has driven large upward revisions in tax receipts and a reduction in unemployment benefits.

**Receipts as a proportion of GDP** are estimated to be 24.3% of GDP in 2021-22, decline to 23.8% in 2022-23, then return to 24.7% between 2023-24 and 2025-26.

**Payments as a proportion of GDP** are projected to settle back to 27.8% of GDP in 2021-22 and then are forecast to steadily decrease over the forward estimates to 26.3% of GDP in 2025-26.

**Net debt** is estimated to be \$631.5 billion in 2021-22 (27.6% of GDP), increasing to \$714.9 billion (31.1% of GDP) in 2022-23 and then rising to \$864.7 billion (33.1% of GDP) in 2025-26.

**Inflation** is expected to increase in the near term, with CPI to grow by a forecast 4% in the year through to June 2022. Headline inflation is predicted to moderate to 3% in the year to June 2023, reflecting pressure from global supply chains, then decrease to 2¾% by June 2024.

**Wage growth** as measured by the WPI, increased to 2.3% in the year to December, and is expected to rise to 2¾% in the year to June 2022. It is then forecast to rise to 3¾% in 2023 and 2024, which will be its highest annual rise in almost a decade.

The **unemployment rate** is forecast to continue to fall over the next few quarters, reflecting the strong domestic economy, down to 3¾% by September 2022 and remain there until 2024-25.

**Net overseas migration** is expected to rise from negative 90,000 in 2020-21, to be positive 41,000 in 2021-22, it will then increase to 180,000 in 2022-23 and 213,000 in 2023-24, and an estimated 235,000 persons in 2024-25 and 2025-26.

**Business Investment** is strong, driven by non-mining investment, overall new business investment is forecast to grow by 5 ½ % in 2021-22, 9% in 2022-23, but then fall to 1% in 2023-24.

**Terms of trade** are expected to fall sharply due to an assumed decrease in commodity prices to levels more consistent with long-term fundamentals peaking at 11% in 2021-22 before declining to negative 21¼% in 2022-23 and then negative 8¾% in 2023-24.

## Federal Budget 2022-23 Key Initiatives:

### Business Friendly Government

#### *Flood relief*

- **\$2.0 billion in support measures for flood affected primary producers, small businesses, not-for-profit organisations, and councils**, as well as clean up, mental health and temporary accommodation measures through Category D of the Disaster Funding Arrangements (DRFA). Also for flood relief, **\$0.8 million in 2023 to expand the Regional Small Business Support program** to support flood impacted small businesses in northern NSW and southern Queensland through to 30 June 2023.

#### *Fuel relief*

- **Temporary halving of fuel excise of 22.1 cents per litre for six months.**

#### *Export trade*

- **\$187.1 million** over 4 years from 2022-23 (and \$4.4 million per year ongoing from 2026-27) **to modernise and improve Australia's trade system and support Australian exporters.**
- **\$157.9 million is budgeted for the Export Market Development Scheme** with \$80 million to provide additional support for small and medium export businesses to re-establish their presence in overseas markets through the Export Market Development Grants program.

#### *Manufacturing sector*

- **\$1.0 billion budget spend on manufacturing**, including \$500 m for the Regional Accelerator Stream (already announced)

#### *Red tape reduction*

- **Deregulation** using international safety standards to **save businesses \$136m per year.**

#### *Procurement*

- **Changes to Commonwealth procurement rules.** From July 1, the threshold for which SMEs can be engaged for Defence Department contracts will increase from **\$200,000 to \$500,000**, meaning contracts of this size can only be offered exclusively to SME suppliers or subject to a tender process between SME suppliers.
- Other changes will require Commonwealth officials to consider **"disaggregating major projects into smaller contract opportunities"**, reduce insurance costs for suppliers and extend the five-day payment deadline for e-invoices to all suppliers

#### *Business support and services*

- **\$8.0 million** in 2022-23 to the Australian Small Business and Family Enterprise Ombudsman to work with service providers **to enhance small business financial capability.**
- **\$4.6 million** over 2 years from 2021-22 to support the New Access for Small Business Owners program delivered by Beyond Blue **to continue to provide free, accessible, and tailored mental health support** to small business owners.
- **\$2.1 million** over 2 years from 2021-22 **to extend the Small Business Debt Helpline program** operated by Financial Counselling Australia to continue to provide financial counselling to small businesses facing financial issues.

**What it means for Queensland business:**

The \$1 billion manufacturing budget spend allocates further funding to a number of manufacturing initiatives and projects. These initiatives seek to address supply chain issues and build resilience in the manufacturing sectors. The further funding will go to incentivising Australian manufacturers in priority sectors to scale projects by co-funding grants and adopt new technologies. Half of the additional funding (\$500 million) is specifically for regional businesses.

More than doubling the SME threshold for Defence Department contracts will enable SMEs to win more valuable government contracts more easily. The disaggregation of major projects will also create a greater number of procurement opportunities by enabling SMEs to directly bid on and fulfil aspects of a government contract, rather than relying on a subcontract through a larger business.

*“Temporarily halving the fuel excise for six months will go some way in alleviating cost pressures for businesses, particularly industries that heavily use vehicles and machinery in their daily operations.”*

*“Red tape is the number one issue for Queensland businesses so these initiatives will go some way to alleviating pressures on business. The December 2021 CCIQ Pulse Survey found that “initiatives to reduce red tape” ranked the top priority for QLD SMEs, with 88% of businesses experiencing a moderate to major impact from complying with government regulation, up from 72% four years ago.”*

*“Support for SME exporters through both re-establishing their presence overseas, and modernising and improving Australia’s trade system is welcome. We know from CCIQ Pulse data that close to 11% of Queensland businesses want targeted export grants, showing there is a desire to expand into international markets.”*

*“A boost in funding for mental health support is especially welcome. We know from CCIQ Pulse data more than 60% of businesses or their staff are experiencing mental health and financial issues due to COVID which is now of course compounded against weather events.”*

### Federal Budget 2022-23 Key Initiatives:

#### Skilled Workforce

##### Employment

- \$1.2 billion over 4 years to expand Transition to Work service for disadvantage youth.
- \$49.5 million over 2 years from 2022-23 to provide an additional 15,000 low and fee-free training places in aged care courses under the JobTrainer Fund.

##### Apprenticeships

- **\$954 million over 5 years for incentives from 2021-22 to introduce a new Australian Apprenticeships Incentive System** from 1 July 2022, providing support to employers and apprentices in priority occupations. Providing **wage subsidies of 10% in first year, 10% in 2nd year and 5% in 3rd year** but only to those on the list. Incentives in place prior to COVID will remain. From 1 July 2024, support will transition to target employers and apprentices in priority occupations, including a **\$4,000 hiring incentive for employers**.
- **\$365.3 million** investment that will support an extra 35,000 apprentices and trainees by extending the **Boosting Apprenticeship Commencements** until 30 June 2022 (already announced).
- A new **Australian Apprenticeships Priority List**, which sets out the occupations with an apprenticeship or traineeship pathway that have strong current and future demand. Employers of apprentices in non-priority occupations will continue to receive a \$3,500 hiring incentive
- **Up to \$5,000 Apprentice in training support payment** for those in a priority occupation (\$1,250 every six months for two years) to the apprentice or trainee.

##### Skills

- **\$3.7 billion** over 6 years from 2021-22 (and \$284.6 million per year ongoing) **additional investment through the national agreement in VET**. Estimated capacity to deliver and additional 800,000 funded training places which is less than the 300,000 per annum ACCI was seeking.
- **\$550 million in tax relief - 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**. It will apply to all expenditure incurred from 7:30pm 29th March 2022 until 30 June 2024.
- **\$56.2 million to assist women to transition to tech jobs** as well as entrepreneurial skills.

##### Higher Education and Research

**\$988.2 million** over 5 years from 2021-22 (and around \$325.1 million per year ongoing) to deliver reform package, including:

- **\$505.2 million** over 5 years from 2021-22 (and around \$182.3 million per year ongoing) to establish **Australia's Economic Accelerator (AEA) grants**.
- **\$295.2 million** over 5 years from 2021-22 (and around \$142.8 million per year ongoing) to establish new **research training pathways for students and researchers**.
- **\$150.0 million** in equity funding over 5 years from 2021-22 to expand the **CSIRO Innovation Fund**, and **\$37.4 million** over 4 years from 2022-23 to establish **CSIRO's Research Translation Start program**.
- **\$150.3 million** to support **medical training in rural and regional Australia**.

### Migration

- **Increase in country caps for Work and Holiday visas by 30 per cent** in 2022-23, increasing overall places available by around 11,000.
- Redistributing 10,000 places in the 2021-22 Migration Program from the Partner visa category within the Family stream to the Skill stream, thereby increasing the Skill stream ceiling from 79,600 to 89,600.
- Regional visas will more than double to 25,000 places.

### What this means for Queensland business:

Investment in upskilling and retraining, at 38.2% of businesses, was the fourth highest priority for Queensland businesses, reflecting the critical need for skilled workers. This is unsurprising given “recruiting and retaining staff” was amongst the top key constraints on business growth in the December 2021 CCIQ Pulse Survey.

Skill shortages are being experienced across several industries and regions – these are incredibly tight labour market conditions. In addition to limited access to overseas workers, businesses are often having to compete with one another over a limited number of qualified workers.

The boost to the number of working holiday makers and skilled migration will increase the available workforce much needed across Queensland.

The investment in the Vocational Education and Training (VET) sector and incentives for apprentices is welcomed. The VET sector is critically important for Queensland’s skills landscape but has seen declines in numbers over the past 10 or more years, as have apprentices employed in trade pathways.

*“This investment in upskilling and retraining reflects business’s urgent need for a skilled workforce, with “recruiting and retaining staff” amongst the top key constraints on business growth in the December 2021 CCIQ Pulse Survey.*

*“What is also still needed however are solutions to alleviate current labour market issues and wage growth, where businesses cannot find staff to fill roles and address wage cost pressures at this time.*

**Federal Budget 2022-23 Key Initiatives:****Smart Infrastructure**

In this budget, the Government is committing an additional \$17.9 billion to infrastructure projects, boosting total spending to exceed \$120 billion over the decade.

There is an additional **\$3.3 billion in funding for Queensland**, including:

- \$1.6 billion for the Brisbane to the Sunshine Coast rail extension
- \$1.1 billion for the Brisbane to the Gold Coast faster rail upgrade
- \$22.5 million for the Brisbane Olympic and Paralympic Games 2032 Business Case Development.

These are additional funding on top of the **\$396 million funding for the South East Queensland City Deal**, and the **\$150m funding to the Brisbane Metro** – Woolloongabba Station previously announced.

Additionally, more than \$1.7 billion is provided for investments in **regional Queensland**, predominantly North and Central Queensland. Including:

- \$483 million towards the construction of Urannah Dam
- \$400 million to further upgrade the Inland Freight Route
- \$80 million towards the future construction of the Bowen Pipeline.

*Water security*

For key water security projects on the National Water Grid fund, **\$6.9 billion to expand water infrastructure projects**. Key measures for Queensland include:

- \$5.4 billion for Hells Gates Dam
- \$600 million for Paradise Dam
- \$126.5 million for Emu Swamp Dam and Pipeline.

**What this means for Queensland business:**

The key infrastructure investments provide significant upgrade to Queensland's transport network, through rail, freight, and public transport network infrastructure.

Water security and resilience measures provided for Regional Queensland are also welcomed.

*"Queensland stands to benefit from the infrastructure investments that will support regional Queensland specifically."*

*"The challenge now is what the State Government will bring to the table in the state budget."*

**Federal Budget 2022-23 Key Initiatives:****Connected Businesses***Digital adoption*

- **\$1 billion for a Technology Investment Boost for digital investment by small businesses under \$50m turnover** – businesses are able to deduct 120% of the cost up to \$100,000 per year of expense and depreciating assets that support digital uptake from 29 March 2022 until June 23. Examples of eligible expenditure include portable payment devices, cyber security systems, and use of cloud-based services.

*Connectivity*

- **\$811.8 million for a Connecting Regional Australia Initiative to expand mobile coverage and improve connectivity, resilience, and affordability in regional, rural and peri-urban Australia.**
- **\$480m plus \$270m from NBN itself to improve NBN infrastructure** in regional areas (already announced)

**What this means for Queensland business:**

The Technology Investment Boost covers expenses not just capital, recognising the importance of digital service such as cloud computing or ongoing cyber security problem. While this is a modest boost (up to \$5,000 benefit on a \$100,00 spend), it will be greatly beneficial to small and medium businesses, as almost all businesses will be eligible to claim it.

Funding on regional telecommunications such as NBN and mobile coverage is a much-needed initiative to address the digital access and capability issue for rural and regional Australia. Reliable connectivity can bring regional businesses to same playing field with other businesses in digital commerce and activate Queensland' potential to work as a state.

*“This investment is much needed to support connectivity in regional Queensland and responds to CCIQ’s submission to the 2021 Regional Telecommunications Review.*

*“Connected business incentives are key to supporting regional Queensland. We know from CCIQ Pulse data that reliable connectivity was among the top five issues Queensland businesses identified as priority areas for business growth.*

### Federal Budget 2022-23 Key Initiatives:

#### Sustainable Practices

##### Lowering emissions

- **\$247.1 million** over 5 years from 2021-22 to support increased **private sector investment in low emissions technologies** including hydrogen and the development of a Biodiversity Stewardship Trading Platform.
- **\$50.3 million to accelerate the priority gas infrastructure project** and support investment in carbon capture and storage pipeline infrastructure.
- **\$47.3 million** over 15 years from 2021-22 to the **Clean Energy Regulator** to simplify existing compliance and assurance activities for the Emissions Reduction Fund and the Renewable Energy Target.

##### Recycling

- **\$60.4 million for recycling modernisation in plastics recycling** (already announced)

##### Sustainable industry support

- **\$18.2 million in the ReMade in Australia** awareness scheme

### What this means for Queensland business:

The key initiatives for sustainable practices in this budget provide some support for compliance and recovery measures for businesses, as well as raising awareness and standards in sustainable living. Nevertheless, more proactive and longer-term investment can be taken to further advance development in sustainable products and industries for both Queensland and Australia.

*“Sustainable practices are a key priority for many businesses and additional support to incentivise investments at a business level is needed ongoing to help businesses address energy, water and waste costs.”*

*“This focus on sustainable practices must also remain a priority in the State Budget and we hope to see more incentives for new technologies and ongoing program support for all Queensland businesses.”*

### Upcoming in June 2022: Queensland State Budget FY2023

CCIQ is preparing a pre-state budget submission to the Queensland Government with series of recommendations aimed at providing the crucial certainty and support businesses need to ensure an effective and successful economic recovery, as well as investing in future growth opportunities.

What is needed now is for the Queensland Government to make sure the State Budget will maximise and further accelerate Federal investment.

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