

'Don't Rock The Boat' **Budget 2022-23**



Contents

- The team..... 5**
- For you & your family 6**
 - Temporary reduction in fuel excise6
 - Low and middle income cost of living tax offset increase6
 - \$250 cost of living payment.....7
 - Medicare levy low-income threshold increased.....7
 - Home Guarantee Scheme extended.....7
 - Digitalising trust income reporting8
- Your Superannuation 8**
 - Reduction in minimum superannuation drawdown rates extended again8
 - Minimum superannuation drawdown rates 2019-20238
- For business & employers 9**
 - \$120 deduction for every \$100 spent on technology.....9
 - Lowering tax instalments for small business9
 - Expanding access to employee share schemes9
 - ‘Patent Box’ tax regime extended to agriculture and emissions10
 - Emissions reduction10
 - Agricultural sector11
 - Medical and biotechnology innovations updated11
 - Streamlining fuel and alcohol excise compliance11
 - Concessional tax treatment for carbon abatement and biodiversity stewardship12
 - Temporary tariff concession on COVID-19 products permanent12
 - Linking PAYG instalments to financial performance12
 - Digitising taxable payments reporting system13
 - Sharing of Single Touch Payroll data13
 - ABN integrity measure delayed13
 - Tax status of COVID-19 grants13
 - Tax deductibility of COVID-19 test expenses14
- Education, skills & training 15**
 - \$120 deduction for every \$100 spent on skills and training.....15
 - Apprentice wage subsidy support extended15
- The government & regulators 16**
 - Visa rule changes16
 - Extension of the ATO’s Tax Avoidance Taskforce16
 - ABS to work with accounting software.....16
- Other 16**
 - Energy and emissions reduction16
 - An Australian Space Industry17
 - Australia’s position in the Asia Pacific17
 - Infrastructure projects.....17
 - Australian Capital Territory17

New South Wales	17
Northern Territory.....	18
Queensland	18
Tasmania	18
Victoria	19
Western Australia.....	19
The economy	20
Expenditure: How the 2022-23 Budget will be spent.....	21

The information contained herein is provided on the understanding that it neither represents nor is intended to be advice or that the authors or distributor is engaged in rendering legal or professional advice. Whilst every care has been taken in its preparation no person should act specifically on the basis of the material contained herein. If assistance is required, professional advice should be obtained.

The material contained in the Budget 2022-23 Update should be used as a guide in conjunction with professional expertise and judgement. All responsibility for applications of the Budget 2022-23 Update and for the direct or indirect consequences of decisions based on the Budget 2022-23 Update rests with the user. Knowledge Shop Pty Ltd, directors and authors or any other person involved in the preparation and distribution of this guide, expressly disclaim all and any contractual, tortious or other form of liability to any person in respect of the Budget 2022-23 Update and any consequences arising from its use by any person in reliance upon the whole or any part of the contents of this guide.

Copyright © Knowledge Shop Pty Ltd. March 2022

All rights reserved. No part of the Budget 2022-23 Budget should be reproduced or utilised in any form or by any means, electronic or mechanical, including photocopying, recording or by information storage or retrieval system, other than specified without written permission from Knowledge Shop Pty Ltd.

‘Don’t Rock The Boat’ Budget 2022-23

This is a safe, ballot box friendly Budget as expected with a focus on jobs, cost of living, home ownership, and health.

Key initiatives include:

- A 6 month, 50% reduction in fuel excise with effect from midnight Budget night
- A \$420 cost of living tax offset for low and middle income earners from 1 July 2022
- A one-off \$250 economic support payment to some social security payment recipients

But, it is also a Budget that drives digitisation. Not just to support innovation but to streamline compliance, create transparency and more readily identify anomalies. Single touch payroll was the first step, the PAYG instalment system, trust compliance, and payments to contractors are next.

Beyond compliance, there is an opportunity capitalise on the benefits of the Government’s

push towards innovation and investment in new technology. Not just the \$120 tax deduction for every \$100 spent on training employees and digital adoption, but also the expansion of the patent box tax concessions. There are opportunities for those pushing boundaries.

If we can assist you to take advantage of any of the Budget measures, or to risk protect your position, please let us know.

As always, we’re here if you need us!

Your name

Title

The team

The XX team are available to assist you to capitalise on any of the Budget measures or minimise your risk. As always, the detail is important so please let us know if we can assist.

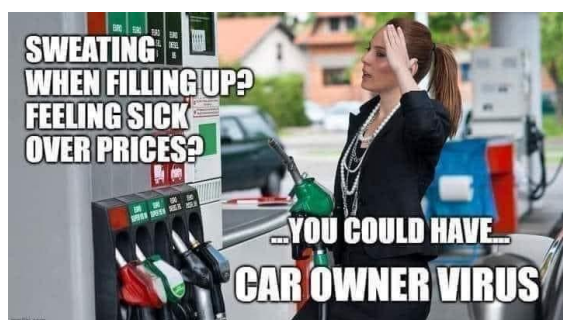
Add team members and contact details here

For you & your family

Temporary reduction in fuel excise

From	12.01am 30 March 2022
-------------	-----------------------

There are a few jokes going around social media about the price of fuel.



As widely predicted, the Government will temporarily reduce the excise and excise-equivalent customs duty rate that applies to petrol and diesel by 50% for 6 months from Budget night. That is, the current 44.2 cents per litre excise rate will reduce to 22.1 cents per litre from Budget night. However, the measure is subject to the passage of the enabling legislation so don't expect to see a change right away.

The reduction extends to all other fuel and petroleum based products except aviation fuels.

At the conclusion of the 6 months on 28 September 2022, the excise and excise-equivalent customs duty rates revert to previous rates including any indexation that would have applied during the 6 month period.

The Australian Competition and Consumer Commission (ACCC) will monitor the price behaviour of retailers to ensure that the lower excise rate is passed on to consumers.

The measure comes at a cost of \$5.6bn.

Low and middle income cost of living tax offset increase

From	1 July 2021 to 30 June 2022
-------------	-----------------------------

The low and middle income tax offset (LMITO) currently provides a reduction in tax of up to \$1,080 for individuals with a taxable income of up to \$126,000.

The tax offset is triggered when a taxpayer lodges their 2021-22 tax return.

For the 2021-22, the LMITO will be increased by \$420 which means that the proposed new rates for individuals are as follows:

Taxable income	Offset
\$37,000 or less	\$675
Between \$37,001 and \$48,000	\$675 plus 7.5 cents for every dollar above \$37,000, up to a maximum of \$1,500
Between \$48,001 and \$90,000	\$1,500
Between \$90,001 and \$126,000	\$1,500 minus 3 cents for every dollar of the amount above \$90,000

\$250 cost of living payment

From	April 2022
-------------	------------

A one-off \$250 'cost of living payment' will be provided to Australian resident recipients of the following payments and concession card holders:

- Age Pension
- Disability Support Pension
- Parenting Payment
- Carer Payment
- Carer Allowance (if not in receipt of a primary income support payment)
- Jobseeker Payment
- Youth Allowance
- Austudy and Abstudy Living Allowance
- Double Orphan Pension
- Special Benefit
- Farm Household Allowance
- Pensioner Concession Card (PCC) holders
- Commonwealth Seniors Health Card holders
- Eligible Veterans' Affairs payment recipients and Veteran Gold card holders.

The payments are exempt from taxation and will not count as income support for the purposes of any income support payment. An individual can only receive one payment.

Medicare levy low-income threshold increased

From	1 July 2021
-------------	-------------

The Medicare levy low income thresholds for seniors and pensioners, families and singles will increase from 1 July 2021.

	2020-21	2021-22
Singles	\$23,226	\$23,365
Family threshold	\$39,167	\$39,402
Single seniors and pensioners	\$36,705	\$36,925

	2020-21	2021-22
Family threshold for seniors and pensioners	\$51,094	\$51,401

For each dependent child or student, the family income thresholds increase by a further \$3,619 instead of the previous amount of \$3,597.

Home Guarantee Scheme extended

The [Home Guarantee Scheme](#) guarantees part of an eligible buyer's home loan, enabling people to buy a home with a smaller deposit and without the need for lenders mortgage insurance. The Government has extended two existing guarantees and introduced a new regional scheme.

Just prior to the Budget, the Government announced:

- **First Home Guarantee** – from 1 July 2022, an increase from 10,000 to 35,000 guarantees to support eligible first homebuyers purchase a new or existing home.
- **Single parent Family Home Guarantee** - 5,000 guarantees each year from 1 July 2022 to 30 June 2025. The family home guarantee supports eligible single parents with children to buy their first home or to re-enter the housing market with a deposit of as little as 2%.
- **Introduction of a Regional Home Guarantee.** This guarantee will support eligible citizens and permanent residents who have not owned a home for 5 years (including non-first home buyers) to purchase or construct a new home in regional areas with a minimum 5% deposit areas (subject to the passage of enabling legislation).

Resources

- [Media release: 2022-23 Budget Backs Aspiring Homeowners](#)
- [National Housing Finance and Investment Corporation](#)

Digitalising trust income reporting

From 1 July 2024

Trust and beneficiary income reporting and processing will be digitalised with all trusts being provided with the option of lodging income tax returns electronically.

While this measure will reduce compliance costs, it will also increase transparency and provide the ATO with a greater insight into where anomalies are occurring.

Your Superannuation

Reduction in minimum superannuation drawdown rates extended again

The temporary 50% reduction in superannuation minimum drawdown requirements for account-based pensions and similar products has been extended to 30 June 2023.

Minimum superannuation drawdown rates 2019-2023

Age	Default minimum drawdown rates (%)	Reduced rates by 50% for the 2019-20 to 2022-23 income years (%)
Under 65	4	2
65-74	5	2.5
75-79	6	3
80-84	7	3.5
85-89	9	4.5
90-94	11	5.5
95 or more	14	7

For business & employers

\$120 deduction for every \$100 spent on technology

From	7:30pm AEDT, 29 March 2022 until 30 June 2023
-------------	---

The Government intends to provide a 120% tax deduction for expenditure incurred by small businesses 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.

The technology boost will be available to small business with an aggregated annual turnover of less than \$50 million.

An annual expenditure cap of \$100,000 will apply to the boost.

The boost for eligible expenditure incurred by 30 June 2022 will be claimed in tax returns for the following income year. The boost for eligible expenditure incurred between 1 July 2022 and 30 June 2023 will be included in the income year in which the expenditure is incurred. That is, the additional deduction available under this measure is expected to be claimed in the 2023 tax return.

Resources

- Media release: [Digital and skills tax boost for small businesses](#)

Lowering tax instalments for small business

From	2022-23 income year
-------------	---------------------

Normally, GST and PAYG instalment amounts are adjusted using a GDP adjustment or uplift. For the 2022-23 income year, the Government is setting this uplift factor at 2% instead of the 10% that would have applied.

The 2% uplift rate will apply to small to medium enterprises eligible to use the relevant instalment methods for instalments for the 2022-23 income year and are due after the amending legislation comes into effect:

- Up to \$10 million annual aggregated turnover for GST instalments and
- \$50 million annual aggregated turnover for PAYG instalments

Resources

- Media release: [Cash flow support and red tape reduction to help small business](#)

Expanding access to employee share schemes

In broad terms, an Employee Share Scheme (ESS) is a scheme under which shares in a company, or rights to acquire shares in a company, are issued to an employee or their associate in respect of their employment.

At a commercial level, ESS arrangements are often used to better align the interests of employers and employees, as employees are provided with an opportunity to share in the

profitability and growth of the business. The arrangements can also be useful in situations where a business is in start-up mode and does not have significant cash flow or reserves to attract top quality employees with high salaries.

The Government has flagged changes to the ESS rules to expand access to schemes so that employees at all levels can directly share in the growth of the business.

Where employers make larger offers in connection with employee share schemes in unlisted companies, participants can invest up to:

- \$30,000 per participant per year, accruable for unexercised options for up to 5 years, plus 70 per cent of dividends and cash bonuses; or
- Any amount, if it would allow them to immediately take advantage of a planned sale or listing of the company to sell their purchased interests at a profit.

The Government will also remove regulatory requirements for offers to independent contractors, where they do not have to pay for interests.

While these changes might expand access to employee share schemes, it is important to consider the tax implications that can arise for employee when they receive shares or options at a discount to their market value. There are a number of different ways that employees can be taxed in this area and the treatment will often depend on how the ESS arrangement has been structured by the company.

‘Patent Box’ tax regime extended to agriculture and emissions

The Patent Box tax regime was announced in the 2021-22 Budget for the medial and biotech industries and provides a concessional effective corporate tax rate of 17% on income derived from patents, to the extent that the taxpayer undertakes the R&D of that patent in Australia.

The Government has announced an extension of the regime to:

- Technology focused innovations to reduce emissions in line with the Government’s target to achieve net zero emissions by 2050, and
- Practical, technology focused innovations in the Australian agricultural sector.

Note that the legislation enabling the original 2021-22 Budget measure has not been enacted and is currently before Parliament – see [Treasury Laws Amendment \(Tax Concession for Australian Medical Innovations\) Bill 2022](#).

Emissions reduction

From	Patents granted after 29 March 2022 Income years starting on or after 1 July 2023
-------------	--

Applies to patents relating to low emissions technology, as set out in the 140 technology areas listed in the Government’s [2020 Technology and Investment Roadmap Discussion Paper](#) or included as priority technologies in the Government’s 2021 and future annual [Low Emissions Technology Statements](#), provided the patented technology is considered to reduce emissions.

Agricultural sector

From	Patents granted after 29 March 2022 Income years starting on or after 1 July 2023
-------------	--

Applies to corporate entities that commercialise their eligible patents linked to agricultural and veterinary (agvet) chemical products listed on the [Australian Pesticides and Veterinary Medicines Authority \(APVMA\)](#), [PubCRIS](#) (Public Chemical Registration Information System) register, or eligible [Plant Breeder's Rights \(PBRs\)](#).

Medical and biotechnology innovations updated

Since the original announcement, the Government has made two significant expansions to the patent box regime:

- Allowing patents issued by the United States Patent and Trademark Office or granted under the European Patent Convention to access the regime, and
- Allowing patents *granted* after Budget night to be eligible, rather than only those *applied for* after Budget night.

Taxpayers will still only benefit from the concessional tax treatment under the patent box to the extent that the R&D occurred in Australia.

Resources

- [Treasury Laws Amendment \(Tax Concession for Australian Medical Innovations\) Bill 2022](#)
- Media Release: [Patent Box legislation introduced into Parliament to support investment and jobs](#)

Streamlining fuel and alcohol excise compliance

From	1 July 2023
-------------	-------------

From 1 July 2023, fuel and alcohol businesses with an annual turnover of less than \$50 million will be able to lodge and pay excise and excise equivalent customs duty on a quarterly basis, rather than weekly or monthly. These businesses will lodge returns and pay excise by the 28th day of the month after the end of each quarter.

In addition, businesses that import fuel and alcohol products for further manufacture or distribution, and want to defer payment of excise or excise-equivalent customs duty, will be able to transfer the fuel or alcohol straight into a warehouse administered by the ATO once the products have gone through Australian Border Force (ABF) customs clearance. The ABF will still collect tax on direct imports.

Licensing requirements across the excise system will also be streamlined by:

- removing all renewal requirements for excise and excise equivalent customs goods licences; removing licence fees; enabling the ATO and ABF to issue entity level licences in addition to site level licences; and providing blanket permission to move goods between sites controlled by licensed businesses
- removing onshore producers of crude oil and condensate from the excise system until and unless they exceed the relevant production threshold to be liable for excise payments
- extending the time limit to apply for a refund of excise overpayments from 12 months to 4 years after payment, to align with refunds of customs duty
- creating a public register of excise and excise equivalent customs goods licences administered by the ATO.

And, the **excise and excise-equivalent customs duty regime for fuel** will be amended by:

- introducing a refund provision, similar to that in the excise law, for excise equivalent customs duty on petroleum based oils used in the further manufacture of petroleum lubricants, ending double taxation of these oils
- removing the requirement to pay and then claim Fuel Tax Credits in respect of excise or excise equivalent customs duty on fuels used in domestic commercial shipping ('bunker fuels'), aligning their treatment with the duty-free treatment of bunker fuels for international voyages
- setting a single rate for businesses to calculate and claim Vapour Recovery Unit refunds.

The excise law will be amended to provide a targeted exemption from excise licensing requirements, up to a threshold of 10,000 litres per year, for licensed hospitality venues to fill beer from kegs into sealed, non-pressurised containers of no more than 2 litres capacity and not designed for medium to long term storage ('growlers').

Concessional tax treatment for carbon abatement and biodiversity stewardship

From	1 July 2022
-------------	-------------

The sale of Australian Carbon Credit Units (ACCUs) and biodiversity certificates generated from on-farm activities to be treated as primary production income for the purposes of the Farm Management Deposits (FMD) scheme and tax averaging from 1 July 2022.

In addition, the taxing point of ACCUs for eligible primary producers will change to the year when they are sold, and similar treatment will be extended to biodiversity certificates issued

under the Agriculture Biodiversity Stewardship Market scheme, from 1 July 2022. Currently, ACCU holders are taxed based on changes in the value of their ACCUs each year, which can result in tax liabilities prior to sale. Eligible primary producers are those who are currently eligible for the FMD scheme and tax averaging.

Temporary tariff concession on COVID-19 products permanent

From	1 July 2022
-------------	-------------

The temporary tariff concession in place for certain medical and hygiene products to treat, diagnose or prevent the spread of COVID 19 will be made permanent and the range of products to which the concession applies expanded.

Linking PAYG instalments to financial performance

From	1 January 2024
-------------	----------------

As announced prior to the Budget, companies will be able to choose to have their pay as you go (PAYG) instalments calculated using current financial performance, extracted from business accounting software, with some tax adjustments.

The move is intended to ensure that instalment liabilities are aligned to the businesses cashflow. In addition, the digitisation of PAYG instalments will improve transparency and provide more accurate data on performance.

Resources

- Media release: [Cash flow Support and Red Tape Reduction to Help Small Business](#)

Digitising taxable payments reporting system

From	1 January 2024
-------------	----------------

As announced prior to the Budget, businesses will be able to report Taxable Payments Reporting System data via their accounting software on the same lodgment cycle as their activity statements.

The measure is expected to reduce the costs of complying with the system and increase transparency.

Sharing of Single Touch Payroll data

As announced prior to the Budget, the Government will commit \$6.6 million for the development of IT infrastructure that will enable the ATO to share Single Touch Payroll (STP) data with State and Territory Revenue Offices on an ongoing basis.

The funding will be deployed following further consideration of which states and territories are able and willing to make investments in their own systems and administrative processes to pre-fill payroll tax returns with STP data in order to reduce compliance costs for businesses.

ABN integrity measure delayed

From	1 July 2022
-------------	-------------

Back in the 2019-20 Budget, the Government announced that Australian Business Number (ABN) holders would be stripped of their ABNs if they failed to lodge their income tax return. In addition, ABN holders would be required to annually confirm the accuracy of their details on the Australian Business Register.

This measure has been deferred for 12 months, which means that the tax return lodgment obligation is due to commence from 1 July 2022 with the annual confirmation of ABN details to commence from 1 July 2023.

Tax status of COVID-19 grants

The measure that enables payments from certain state and territory COVID-19 business support programs to be treated as non-assessable non-exempt (NANE) income has already been extended until 30 June 2022.

The Government has announced that the following state and territory grant programs have been made eligible for this treatment since the 2021-22 MYEFO, although it is not clear whether the relevant legislative instruments have been issued as yet:

- New South Wales Accommodation Support Grant
- New South Wales Commercial Landlord Hardship Grant
- New South Wales Performing Arts Relaunch Package
- New South Wales Festival Relaunch Package
- New South Wales 2022 Small Business Support Program
- Queensland 2021 COVID 19 Business Support Grant
- South Australia COVID 19 Tourism and Hospitality Support Grant
- South Australia COVID 19 Business Hardship Grant.

This builds on the list of existing grants paid by New South Wales and Victoria that can already qualify for NANE income treatment.

Tax deductibility of COVID-19 test expenses

From	1 July 2021
-------------	-------------

As previously announced, work-related COVID-19 test expenses incurred by individuals will be made tax deductible.

Changes will also be made to ensure that FBT will not be payable by employers if they provide fringe benefits relating to COVID-19 testing to their employees for work-related purposes.

The changes for deductions will be effective from 1 July 2021, with the FBT changes to apply from 1 April 2021.

At this stage it is not entirely clear whether the deduction rules will cover expenses incurred where the employee is able to work from home. The initial media release indicates that the measure will cover situations where the individual has the option of working remotely, while the Budget only refers to costs of taking a COVID-19 test to attend a place of work but doesn't specifically refer to employees who can work from home.

Resources

- Media release: [Tax deductibility of COVID-19 test expenses](#)

Education, skills & training

\$120 deduction for every \$100 spent on skills and training

From	7:30pm AEDT, 29 March 2022 until 30 June 2024
-------------	---

The Government intends to provide a 120% tax deduction for expenditure incurred by small businesses on external training courses provided to employees. The deduction will be available to small business with an aggregated annual turnover of less than \$50 million. 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.

We assume there will need to be a nexus between the employee's employment and the training program undertaken for the boost, although we are waiting on further details of this initiative to be released.

The boost for eligible expenditure incurred by 30 June 2022 will be claimed in the tax return for the following income year (that is, the 2023 tax return). The boost for eligible expenditure incurred between 1 July 2022 and 30 June 2024, will be included in the income year in which the expenditure is incurred.

Resources

- Media release: [Digital and skills tax boost for small businesses](#)

Apprentice wage subsidy support extended

Just prior to the Federal Budget, the Government announced the extension of the:

- Boosting Apprenticeship Commencements wage subsidy, and
- Completing Apprenticeship Commencement wage subsidy.

Any employer (or Group Training Organisation) who takes on an apprentice or trainee up until 30 June 2022 can gain access to:

- 50% of the eligible Australian Apprentice's wages in the first year, capped at a maximum payment value of \$7,000 per quarter per Australian Apprentice,
- 10% of the eligible Australian Apprentice's wages in the second year, capped at a maximum payment value of \$1,500 per quarter per Australian Apprentice, and
- 5% of the eligible Australian Apprentice's wages in the third year, capped at a maximum payment value of \$750 per quarter per Australian Apprentice.

Resources

- Media release: [Extending support to get more Australian apprentices on the job](#)
- [Boosting Apprenticeship Commencements wage subsidy and Completing Apprenticeship Commencements wage subsidy](#)
- Applications are through the [Australian Apprenticeships Support Network](#)

The government & regulators

Visa rule changes

The pandemic has created a scarcity of labour. As a result, the Government is relaxing certain work restrictions for a range of visas including eligible Student and Working Holiday Maker (WHM) visa holders, and extended visas for certain engineering graduates negatively affected by COVID-19 travel restrictions.

International students and WHM visa holders who bring forward their arrival to Australia will be refunded the Visa Application Charge for Student visa holders who arrive in Australia between 19 January 2022 and 19 March 2022, and for WHM visa holders who arrive in Australia between 19 January 2022 and 19 April 2022, inclusive.

And, the Government will also increase country caps for Work and Holiday visas by 30% in 2022-23, increasing overall places available by around 11,000.

The Government has stated that it will also “clarify the tax treatment for income earned by workers under the Australian Agriculture Visa scheme established in MYEFO 2021-22 to respond to workforce shortages in the

Other

Energy and emissions reduction

\$446.1 million over 5 years has been provided to increase energy security, maintain affordable and reliable power for households and businesses and reduce the cost of deploying low emissions technologies. \$247m of that is to support increased private sector investment in low emissions technologies including hydrogen,

agriculture and primary industry sectors.” At this stage, we don’t know what this clarity means!

Extension of the ATO’s Tax Avoidance Taskforce

An additional \$652.6m has been set aside to extend the ATO’s Tax Avoidance Taskforce by 2 years to 30 June 2025.

In that time, the taskforce is expected to increase receipts by \$2.1bn and increase payments by \$652.6m.

ABS to work with accounting software

Buried under the wildly exciting headline of *Commonwealth’s Deregulation Agenda*, is the \$19.9 million spend by 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. Excellent. Real time reporting utilising verified data on the state of Australian business.

the continued development of a hydrogen Guarantee of Origin scheme, and the development of a Biodiversity Stewardship Trading Platform to support farmers to undertake biodiversity activities ahead of the introduction of a voluntary biodiversity stewardship market.

Another \$148.6m is for the development of community microgrids and just over \$50m to develop gas infrastructure projects.

Resources

- Media release: [2022-23 Budget backs Australian industry, energy security and net zero emissions](#)

An Australian Space Industry

The Government will provide \$1.3 billion from 2021-22 to grow the Australian space sector and space manufacturing industry. This includes \$1.2bn to establish a National Space Mission for Earth Observation to secure access to key earth observation data streams, build Australia's sovereign capability and enter agreements with international partners including for the procurement and operation of Australian Satellite Cross Calibration Radiometer satellites. And, \$65.7m to fast track the launch of space assets.

Resources

- Media release: [Fast tracking jobs and technologies for space](#)

Australia's position in the Asia Pacific

For those of you who have been watching the reaction to the Solomon Islands security agreement with China, the appearance in the Budget of infrastructure investment in the Pacific will come as no surprise.

The Government will increase the Australian Infrastructure Financing Facility for the Pacific to \$3.5 billion, supporting additional infrastructure investment in the Pacific. This includes projects in Papua New Guinea to improve roads and power. An additional \$650m will be provided as a loan for PNG's COVID-19 recovery.

\$245.5m will be spent over 5 years on the partnership with India. A new Chancery for the

Australian High Commission in Honiara. And, \$324.4m to Pacific Island countries and Timor Leste to support their COVID-19 recovery.

Infrastructure projects

Just prior to the Budget's release, the Government announced \$17.9bn in new and additional funding for existing infrastructure projects. Full details of infrastructure funding are on the [Infrastructure Investment Program](#) website.

Australian Capital Territory

New projects:

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

New South Wales

New projects:

- \$1 billion for the Sydney to Newcastle – (Tuggerah to Wyong) faster rail upgrade
- \$336 million for the Pacific Highway – Wyong Town Centre
- \$264 million for the Newell Highway Upgrade – 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 million for the Southern Connector Road, Jindabyne
- \$95.6 million for the Picton Bypass and Picton Road – Planning
- \$77.5 million for a business case for Stage 2 of the Sydney Metro – Western Sydney Airport line

Additional funding for existing projects:

- \$352 million for the Milton Ulladulla Bypass
- \$300 million for the Grade Separating Road Interfaces
- \$65 million for the M5 Motorway – Moorebank Avenue – Hume Highway Intersection Upgrade

Northern Territory

New projects:

- \$132 million for Central Australian Tourism Roads
- \$55 million for the Tiger Brennan Drive/Berrimah Road Intersection Upgrade

Queensland

New projects:

- \$1.6 billion for the Brisbane to the Sunshine Coast (Beerwah-Maroochydore) rail extension
- \$1.121 billion for the Brisbane to the Gold Coast (Kuraby – Beenleigh) Faster Rail Upgrade
- \$150 million for the Brisbane Metro – Woolloongabba Station
- \$396 million for the South East Queensland City Deal
- \$27.2 million for three business cases for upgrades on the Bruce Highway between Anzac Avenue and Caboolture Bribie Island Road
- \$22.5 million for Brisbane Olympic and Paralympic Games 2032 business case development
- \$20 million for safety upgrades on the Brisbane Valley Highway

Additional funding for existing projects:

- \$68.5 million for the Cooktown to Weipa Corridor Upgrade bringing the total Australian Government funding to the corridor to \$258.5 million
- \$11.5 million for the Tennant Creek to Townsville Corridor Upgrade bringing the

total Australian Government funding to the corridor to \$211.5 million

South Australia

New projects:

- \$200 million for the Marion Road – Anzac Highway to Cross Road
- \$120 million for the Adelaide Hills Productivity and Road Safety Package
- \$60 million for the South East Freeway Managed Motorways – Stage 2
- \$60 million for the Targeted Investments to Improve National Supply Chain Resilience
- \$16 million for the Main South Road Productivity Package

Additional funding for existing projects:

- \$2.264 billion for the North South Corridor – Torrens to Darlington,
- \$40 million for the Horrocks Highway Corridor
- \$20 million for the Marion Road and Sir Donald Bradman Drive Intersection Upgrade.

Tasmania

New projects:

- \$336 million for the Tasmanian Roads Package – Northern Roads Package – Stage 2
- \$100 million for the Great Eastern Drive Tourism Support – additional packages
- \$96 million for the Tasmanian Freight Rail Revitalisation Program – Tranche 4
- \$56 million for the Tasmanian Roads Package – Tasman Highway Sideling Upgrade – Stage 2
- \$24 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

Victoria

New projects:

- \$3.1 billion in new commitments to deliver the \$3.6 billion Melbourne Intermodal Terminal Package:
 - \$1.2 billion for the Beveridge Interstate Freight Terminal in Beveridge, taking the total investment to \$1.62 billion
 - \$280 million for Road Connections, including Camerons Lane Interchange, to the Beveridge Interstate Freight Terminal
 - \$740 million for the Western Interstate Freight Terminal in Truganina
 - \$920 million for the Outer Metropolitan Ring – South Rail connection to the Western Interstate Freight Terminal
- \$109.5 million for the Mickleham Road Upgrade

Additional funding for existing projects:

- \$45 million for the Ballarat to Ouyen – Future Priorities
- \$23.1 million for the Canterbury Road Upgrade

Western Australia

New projects:

- \$145 million for the Thomas Road – Dual Carriageway – South Western Highway to Tonkin Highway and interchange at Tonkin Highway
- \$140 million for Regional Road Safety Upgrades
- \$100 million for the METRONET: Morrison Road Level Crossing Removal
- \$50 million for the Tonkin Highway – North Ellenbrook Interchange
- \$48 million for the Moorine Rock to Mt Holland Road Upgrades

- \$40 million for the Newman to Katherine Corridor Upgrade - Great Northern Highway Upgrade - Newman to Port Hedland Overtaking Lanes

Additional funding for existing projects:

- \$320 million for the Bunbury Outer Ring Road (Stages 2 and 3)
- \$200 million for the Tonkin Highway Stage 3 Extension
- \$178 million for the Pinjarra Heavy Haulage Deviation – Stages 1 and 2
- \$135 million for the METRONET: Thornlie-Cockburn Link
- \$116 million for the METRONET: High Capacity Signalling
- \$90 million for the METRONET: Yanchep Rail Extension

The economy

Australia's unemployment rate is at 4%: the lowest rate in 48 years.

Amid the ongoing COVID 19 pandemic and natural disasters, the Australian economy has outperformed all major advanced economies, experiencing a stronger recovery in output and employment from pre pandemic levels. The recovery is expected to continue with the unemployment rate forecast to reach 3.75% in the September quarter of 2022, nearly 3% below the forecast 2 years ago.

The Wage Price Index (WPI) is forecast to increase from 2.75% through the year to the June quarter of 2022 to 3.25% through the year to the June quarter of 2023. But, there is "significant uncertainty around the pace at which wages growth will accelerate."

Real GDP is forecast to grow by 4.25% in 2021-22. And, by 3.5% in 2022-23 and 2.5% per cent in 2023-24.

The deficit for 2022-23 is expected to be \$78 billion or 3.4% of GDP.

Since the Mid Year Economic and Fiscal Outlook (MYEFO), the underlying cash balance has improved by \$103.6 billion over the 5 years to 2025-26. The Budget shows the deficit more than halving to 1.6% of GDP by 2025-26 before falling to 0.7% of GDP by the end of the medium term. Gross debt as a share of the economy is expected to peak at 44.9% of GDP at 30 June 2025, 5.4% lower and 4 years earlier than projected at MYEFO. Gross debt is projected to fall to 40.3% of GDP by the end of the medium term, 9.6% or \$236 billion lower than at the end of the medium term in MYEFO.

The Budget projects a halving in the deficit to 1.6% of GDP by 2025-26 before falling to 0.7% of GDP by the end of the medium term.

Commodity prices are near record high levels, in part due to the Russian invasion of Ukraine. Metallurgical and thermal coal spot prices have recently reached highs that are 62% and 53% above previous peaks.

Inflation is expected to rise to 4.25% through the year to the June quarter of 2022. This reflects higher global oil prices and ongoing supply chain pressures as well as price pressures in the housing construction sector. Then moderate to 3% in 2022-23 and 2.75% in 2023-24.

The recent floods in Queensland and New South Wales have had a devastating impact on many communities. The Government expects to spend over \$6 billion in total on disaster relief and recovery (in addition to the \$3.6 billion already allocated to households, businesses and communities).

On COVID-19, the Budget assumes:

- Community transmission of COVID-19 will continue to occur.
- A further Omicron wave is assumed to occur over winter 2022, which may again see elevated rates of absenteeism and pressure on supply chains.
- Beyond winter, it is assumed that Australia will continue to experience intermittent, localised waves of Omicron, or other new COVID-19 variants. However, it is assumed that high vaccination rates and improved medical treatments, together with continued community adaptation to COVID-19, will see the economic impact of future outbreaks continue to moderate. Box 2.4 considers a scenario where a new

COVID-19 variant of concern poses greater downside risks to the economic forecasts.

- It is assumed that public health measures such as physical distancing and density restrictions are phased down, but reimposed in a targeted way in response to future COVID-19 outbreaks. These public health measures are not expected to materially affect the economic forecasts.
- Australia's international borders are assumed to be open to migrants and fully vaccinated tourists.

Expenditure: How the 2022-23 Budget will be spent

As the Government's response to the COVID-19 pandemic reduces, expenses decrease from \$640 billion in 2021-22 to \$628 billion in 2022-23 – an impact that is primarily reflected in the health, social security and welfare, and other economic affairs functions. Expenses are expected to reach \$687 billion in 2025-26. While, low unemployment and increased economic growth has reduced expenditure on income support programs, higher inflation and wages growth forecasts have impacted indexation rates and led to increased expenditure estimates on government payments to individuals.

