

Victorian Budget 2023/24



Tim Pallas MP

Treasurer

Tuesday, 23 May 2023

BACKING VICTORIAN JOBS, POWERING VICTORIA'S ECONOMY

Victoria's economy is strong – and so is our economic outlook for the years ahead.

Across Australia, no state or territory has put on more jobs since the height of the pandemic's economic shock than Victoria – either in absolute or per capita terms.

Around 440,000 Victorians have secured a job in that time – 109,000 more than in New South Wales. It means one in eight working Victorians have secured their job in the past two-and-a-half years.

Some 3.6 million Victorians are in work, just short of a high watermark for the state, and a near record number of people are participating in the labour market.

Victoria's unemployment rate is 3.9 per cent – nearly three percentage points below the rate left behind by the Baillieu-Napthine Government.

In the most recent ABS figures, Victoria's economic growth measured by final demand was the highest in the country at 4.1 per cent annually – 25 per cent higher than the national average.

And the *Victorian Budget 2023/24* forecasts our economy will keep growing: by 2.75 per cent this financial year and an average of 2.4 per cent a year over the forward estimates.

Population growth in Victoria had been higher than in any other state between 2015 and the onset of the pandemic – and population growth has now almost returned to pre-COVID levels.

Growth is forecast to average 1.8 per cent a year through to 2027 as projections in the Commonwealth Budget show interstate residents will flock to Victoria in their thousands.

The operating cash surplus we will deliver for 2022/23 is more than double what we forecast in last year's Budget – and we'll return to an operating surplus of \$1 billion in 2025/26, growing to \$1.2 billion by the end of the forward estimates.

Net debt in 2025/26 will also be lower than forecast last year due to spending reductions and a new temporary revenue measure.

It's no accident our economy is so strong. The Andrews Labor Government's record investments have delivered the jobs we needed in the short term, and they're supporting our growing state into the future.

Our ambitious *Jobs Plan* aimed to produce 400,000 new jobs by 2025. That target has been achieved – two years ahead of schedule.

Before the pandemic, we borrowed to build – all within our means. Our Big Build has kickstarted city-shaping road and rail projects, created thousands of jobs and strengthened the services people rely on – while we delivered surpluses each and every year.

Media contact: Shaun Phillips 0407 553 763 | shaun.phillips@mstaff.vic.gov.au

When the pandemic hit Victoria, we acted quickly and decisively to safeguard the economy – and to prevent economic scarring that would have left a generation out of work.

Acting on the advice of the Reserve Bank of Australia, we used the state's balance sheet to protect the household budgets of Victorian families and businesses.

We borrowed \$31.5 billion to save lives and keep people in jobs. Those investments came at an unavoidable cost, as they did for governments around Australia and the world.

We aren't the only government in this position. But we are the only government with a plan to pay down COVID debt.

With this Budget, we deliver on our election commitments, boost thousands of small and medium-sized businesses through a new Economic Growth Package, and deliver a *COVID Debt Repayment Plan*.

The plan is temporary, targeted and above all, responsible. It will raise an equivalent amount of funds, including covering interest, to pay down the COVID debt over the next 10 years.

As part of the *COVID Debt Repayment Plan*, we'll introduce a temporary levy to help pay off the debt incurred during this one-in-one-hundred-year event.

The COVID Debt Levy won't apply to everyone. The payroll component of the Levy will focus on large businesses with national payrolls above \$10 million. Existing payroll tax exemptions for hospitals and charities will apply.

This measure will apply to around 5 per cent of employers – largely, extremely profitable businesses that came out of the pandemic stronger than ever.

There is also a landholdings component of the Levy which will apply primarily to those who own a second property or multiple properties. The family home will remain exempt from land tax.

At the same time, the Government is committed to doing its share, undertaking a range of balanced savings measures. We'll rebalance our public service – bringing it back towards pre-pandemic levels – while maintaining the frontline services that matter to Victorians.

Savings and efficiency initiatives will be implemented across government with a focus on back-office and corporate operations, and labour hire and consultancy spending.

We'll also use the growing Victorian Future Fund balance to help offset the COVID debt – as we said we would in the *2022/23 Budget*. We'll legislate the Future Fund to ensure it can only be used for debt reduction – and not raided like the Liberals proposed at the last election.

To support the growing Melbourne Wholesale Fruit, Vegetable and Flower Market at Epping, the Government will start engaging with industry on a possible commercial transaction such as a long-term lease or concession arrangement. The engagement will consider productive reform that maintains State ownership of the Market while supplementing the Victorian Future Fund.

Victoria is the only mainland state that retains direct government management of its wholesale fresh produce market. A refreshed structure will benefit traders who supply the state and modernise the market's operating model.

Victoria's new Economic Growth Package will ensure small and medium-sized businesses keep experiencing the best conditions to thrive and put on workers.

The centrepiece of this package is a landmark reform to abolish stamp duty for commercial and industrial properties in a transition to an annual property tax.

Removing upfront costs on commercial and industrial property purchases will accelerate business growth and boost jobs – with the cumulative increase in the size of the Victorian economy as a result of this reform up to \$50 billion in Net Present Value terms.

The transition away from stamp duty for commercial and industrial properties will occur after they are sold, with the annual property tax applying after a further 10 years. Importantly, current owners will be exempt.

This change means a retailer will be more likely to buy the new premises they need for their business to take the next step, or a transport company will have more reason to move into that larger warehouse.

By removing a key barrier to larger investments, the benefits will multiply across the economy. Work is underway to finalise details of the transition, with announcements to be made by the end of the year and the new system to come into effect from 1 July 2024.

The Economic Growth Package also delivers for companies on payroll tax – increasing the threshold from \$700,000 to \$900,000 for most businesses from July 2024, and then to \$1 million from July 2025.

Around 6,000 businesses who otherwise would have paid payroll tax will no longer pay a cent once the threshold reaches \$1 million – and more than 26,000 businesses in total will benefit. Going forward, the benefit of the payroll tax-free threshold will be phased out for larger businesses, to ensure this support is well targeted.

These significant relief measures follow payroll tax concessions for regional businesses that have been in place since 2017, progressively lowering the rate to one-quarter of that paid in metropolitan Melbourne.

Some 5,500 businesses benefit from the regional payroll tax concession every week, freeing up around \$430 million a year to invest in their businesses and workers.

The Economic Growth Package further backs businesses by progressively abolishing business insurance duty from 2024/25, saving businesses more than \$275 million in the first three years alone. Victoria will be the first state to remove this handbrake on business resilience, investment and growth.

The state's first Economic Growth Commissioner will be appointed to investigate productivity opportunities and make recommendations on growth impediments that need to be addressed.

An investment of \$30 million in the Business Acceleration Fund will support regulators to make it easier for small businesses to innovate and grow.

These actions build on the success of existing \$50 million investments in business acceleration and regulation reform which will deliver more than \$300 million in savings every year, including time savings of more than 280,000 days a year.

This Budget means all Victorians can have confidence about the future. It supports families with the cost of living, creates jobs and cements fairness, looking after those who need a helping hand. That's the mark of a strong, caring community.

With this Budget, we are doing what matters.

Media contact: Shaun Phillips 0407 553 763 | shaun.phillips@mstaff.vic.gov.au

Quotes attributable to Treasurer Tim Pallas

“With this Budget, we’re delivering every commitment we made to Victorians at the last election, all while repaying our COVID debt.”

“Victoria’s economy is strong – and it’s growing – because of the investments we’ve made to create thousands of jobs and build the road, rail, schools and hospitals that matter to Victorians.”

“This Budget is all about investing in health, education and infrastructure, while also managing our finances responsibly.”