

Bulletin

All Members



Reference No. 2023/24 Victorian State Budget overview/sb-05-23

Date: 23/05/2023

VACC Member Overview – Victorian State Budget 2023/24

Dear member,

Today, the Victorian Treasurer Tim Pallas handed down the State Budget for 2023/24. A summary of the key measures contained in the Budget are provided below.

TAXATION

There are no new taxes on motor vehicles in the Budget. Increased revenue from motor vehicle registration fees in 2023-24 is based on indexation of registration fees, whilst revenue from motor vehicle duty is supported by growth in new car prices.

Growth in taxation revenue will be primarily driven by growth in:

- land tax
- land transfer duty
- a new COVID Debt Levy on payrolls above \$10m and on landholdings.

Payroll Tax

- From 1 July 2024, the payroll tax free threshold will be lifted from **\$700 000** to **\$900 000**.
- The payroll tax-free threshold will be lifted again, to **\$1 million, from July 2025**.
- removing the payroll tax exemption for high-fee non-government schools.

COVID Debt Levy – Payroll \$10m+

- From 1 July 2023, businesses with national payrolls above \$10 million a year will pay additional payroll tax. A rate of 0.5 per cent will apply for businesses with national payrolls above \$10 million, and businesses with national payrolls above \$100 million will pay an additional 0.5 per cent. The additional rates will be paid on the Victorian share of wages above the relevant threshold. The levy will apply until 30 June 2033.

COVID Debt Levy – Landholdings

- From 1 January 2024, the tax-free threshold for general land tax rates will decrease from \$300 000 to \$50 000. For general taxpayers, a temporary fixed charge of \$500 will be levied on taxpayers with landholdings between \$50 000 and \$100 000, and a temporary fixed charge of \$975 on taxpayers with landholdings between \$100 000 and \$300 000. For general taxpayers with property holdings above \$300 000 (and trust taxpayers with property holdings above \$250 000), land tax rates will temporarily increase by \$975 plus 0.1 percentage point of the value of their landholdings above \$300 000. All current land tax exemptions will continue to apply, including the principal place of residence exemption.

Land Tax

- From 1 January 2024, the absentee owner surcharge rate will increase from 2 per cent to 4 per cent and the tax-free threshold for non-trust absentee owners will decrease from \$300,000 to \$50,000.

Insurance taxes

- The Government will abolish business insurance duties (which apply to public and product liability, professional indemnity, employers' liability, fire and industrial special risks, and marine and aviation insurance). Abolition will be achieved by 2033, with the rate of duty, currently 10 per cent, being reduced by 1 percentage point each year from 1 July 2024. A business is likely to save around \$3 200 on professional indemnity insurance or \$2 400 on fire and other special risk insurance cumulatively over that time.

Land Transfer Duty

- There will be a transitioning from land transfer duty to an annual property tax for commercial and industrial properties. This has not been reflected in the Budget estimates, pending consultation and design.

WorkCover Premiums

- Businesses will pay an average of 1.8 per cent of remuneration under the WorkCover scheme from July 1, up from 1.27 per cent.

OTHER INITIATIVES

- The Government is investing an initial \$1 billion to re-establish government-owned energy (SEC). An additional \$44 million will help prepare the SEC for its new role with a presence in Morwell and Melbourne.
- \$19 million for 10,000 students to undertake work experience placements in the clean energy sector and other priority areas.
- \$116 million will be invested to build and operate six new Tech Schools across the state and establish a Clean Energy Equipment Fund.
- \$186 million to expand the eligibility criteria for Free TAFE and other subsidised training courses and \$90 million to meet the expected demand for training.
- The budget is investing \$601 million to build another 23 new Victorian-made VLocity trains.
- \$7.2 million is provided for the Latrobe Valley Authority's operations, supporting the management of economic transition in the region.
- \$4 million to develop and deliver an apprentice mental health training program and \$1.5 million to support the establishment of an Apprenticeships Taskforce with employee, union, and industry representatives. In addition, \$10 million is being provided to expand the motor vehicle registration discount for eligible trade apprentices from 50 per cent to 100 per cent.

ECONOMY

- Victoria's Gross State Product (GSP) is forecast to grow by 1.50 per cent in 2023-24, down from 2.75% in 2022-23.
- Net debt is expected to be \$116.7 billion at June 2023 and \$171.4 billion by June 2027. As a proportion of GSP, net debt is projected to be 20.6 per cent at June 2023 and 24.5 per cent by June 2027.

VACC Position

VACC welcomes the raising of the payroll tax threshold in the Victorian Budget, which VACC has lobbied for extensively over a long period. However, the introduction of a COVID Debt Levy has the potential to adversely affect many businesses that employ apprentices, including Group Training companies. This may lead to fewer apprentices being employed, undermining many of gains made recently across the industry. There are also increased risks to Victoria's economic outlook over the short to medium term that may destabilise Government forecasts.

More detail on the 2023/24 Victorian Budget can be accessed at budget.vic.gov.au

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