Bulletin

Tasmanian Automotive Chamber of Commerce

Reference No. 2022/23 Federal Budget overview/sb-10-22 **Date:** 26/10/2022

2022/23 Federal Budget Overview

Dear Member

Last night the Treasurer Jim Chalmers delivered the first Budget of the new Labor Government. This is essentially an update of the 2022-23 Budget handed down by the previous government in March this year. This Budget brings the Labor's policy priorities and plans into the official financial accounts.

Economic position

- For 2022/23 the Budget deficit is now forecast at $A36.9bn,1.5% of GDP. This is well down from the original budget deficit estimate for this year of $A78bn, 3.4% of GDP, but little changed from the 2021/22 budget deficit of $A32bn, 1.4% of GDP. As such, this represents little change in the overall fiscal position, ie. from 2021/22 to 2022/23
- Australia's net debt is now estimated at $A572.2bn as at 30 June 2023, up from $A515.6bn at June 2022, but lower than the previous estimate of $A714.9bn, 31.1% of GDP. Further out, net debt is now expected to be $A766.8bn at June 2026, 28.5% of GDP, well down on the previous estimate of $A864.7bn, 33.1% of GDP.
- The cost of servicing this debt, ie. interest payments, is expected to rise from $A13.6bn, 0.5% of GDP, in 2022/23 to $A26.5bn, 1.0% of GDP in 2025/26. Despite the increase in net debt and debt servicing costs, Australia's debt position remains modest by global standards, giving comfort to Australia's AAA credit rating.

Automotive specific issues arising out of the 2022/23 Federal Budget

- **Heavy Vehicles** -The Government will increase the Heavy Vehicle Road User Charge rate from 26.4 cents per litre to 27.2 cents per litre of diesel fuel.
- The Road Safety Program will be extended by a further 2 years, with an additional $80.0 million provided for the Heavy Vehicle Rest Areas Program.
- **Electric Vehicles -** From 1 July 2022, battery, hydrogen fuel cell and plug-in hybrid electric cars will be exempt from fringe benefits tax and import tariffs if they have a first retail price below the luxury car tax threshold for fuel-efficient cars. The car must not have been held or used before 1 July 2022. Employers will need to include exempt electric car fringe benefits in an employee's reportable fringe benefits amount.
- The Government will ensure its fleet purchases and leases will be 75 per cent electric by 2025, to contribute to a market for second-hand electric vehicles.
- The *Driving the Nation Fund* invests $500 million to help reduce transport emissions including delivery of electric vehicle charging infrastructure at 117 highway sites, hydrogen highways for key freight routes, and further investment in charging infrastructure.
- $224.3m will provide a Community Batteries for Household Solar Program to deliver up to 400 community batteries.
- **Skilled Migration -** The permanent Migration Program will be expanded to 195,000 in 2022–23. This is an increase of 35,000. More than 90 per cent of new places will be for skilled migrants, and more than a quarter targeted to regional areas.
- 42.2 million will be provided to accelerate visa processing, reduce the visa backlog

- $2.4 billion will be invested in the National Broadband Network to extend fibre access to 1.5 million more premises including 660,000 homes in regional Australia.

Farming/Agriculture - The Government has removed $47.1 million in funding for agricultural programs set by the previous Coalition government, including:

- $30.0 million reversal of the 2022–23 *Regional Accelerator Program*
- $14.0 million reversal of the *Agriculture – continuing to deliver Agriculture 2030*, including not proceeding with Round 2 of the Agricultural Shows Development Grant program
- $2.8 million reversal of the *Agriculture Shows and Field Days program*
- $0.3 million reversal of the *National Agricultural Workforce Strategy* program
- **Education** - The major initiative under the education banner is 480,000 fee-free TAFE and community-based vocational education places over four years. Training for students that traditionally face barriers to work and study will be prioritised as well as target industries that are facing severe skills shortages. This initiative is expected to cost $A852.2m over four years.
- **Taxation -**The Government will not proceed with the measure announced in the 2021-22 Budget, which was proposed to allow taxpayers to self-assess the effective lives of intangible depreciating assets and was to apply to assets acquired on or after 1 July 2023
- The temporary full expensing (TFE) measure which currently permits a deduction for the full cost of certain depreciating assets acquired and used by eligible businesses will not be extended. The TFE measure will continue to apply in relation to eligible depreciating assets which are installed and ready for use by 30 June 2023.
- Subject to any further announcements, from 1 July 2023, all accelerated depreciation measures will have ended, other than the instant asset write-off under the small business simplified depreciation measures, which will revert to a $1,000 asset cost cap and is limited to taxpayers with aggregated turnover less than $10 million.

For more information about the Federal budget, please refer to the link **here**.

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