Canberra Business Chamber

Budget Summary
2017 FEDERAL BUDGET

9 May 2017

Budget Forecast

- Global growth is strengthening in a range of countries, particularly in China and the US, improving world trade. World GDP is forecast to grow from 3.1% in 2016 to 3.25% in 2017, then up to 3.5% in 2018 and 3.75% by 2019.
- In Australia, economic conditions will continue to improve as real GDP is expected to rise from 1.75% in 2016-17 to 2.75% in 2017-18, then up to 3.0% in 2018-19.
- The unemployment rate is forecast to remain at 5.75% in 2017-18 before dipping down to 5.5% through 2018-19 to 2019-20, falling further to 5.25% by 2020-21.
- The inflation rate is expected to remain subdued, steady at 2.0% through 2017-18, then rising to 2.5% by 2020-21.
- Wages growth is forecast to increase, from 2.0% in 2016-17 to 2.5% in 2017-18, then 3.0% in 2018-19, up to 3.75% by 2020-21.
- Expected taxation revenue will grow by 4.2% in 2016-17 and 7.2% in 2017-18 due to improving domestic demand, wage growth and price growth. Total taxation revenue is thus forecast to rise from $405.7b in 2016-17 to $526.3b in 2020-21.
- The underlying cash deficit is expected to improve from -$37.6b (2.1% of GDP) in 2016-17 to -$29.4b (1.6% of GDP) in 2017-18, before eventually achieving a surplus of $7.4b by 2020-21.

Budget Key Features for Business

- The small business instant asset write-off for amounts up to $20,000 has been extended to 30 June 2018, with small business defined as any business with an annual turnover of less than $10m.
- The Government has restated its commitment to achieving a 25% company tax rate for all businesses, but this is not yet implemented.
- $300m over two years to States and Territories to reduce red tape for small business through the National Partnership on Regulatory Reform.
- A major bank levy of 6 basis points on banks with liabilities above $100b, with the $100b threshold indexed to nominal GDP.
- A 2.5% efficiency dividend for 2 years to be paid by universities, and a 7.5% increase in student fees over four years.
- $1b for a National Housing Infrastructure Facility program to remove infrastructure impediments to housing supply.
- A new National Housing Finance and Investment Corporation to be established, as well as increasing the Capital Gains Tax discount to 60%, to help fund affordable housing.
- $1.5b over four years to establish the Skilling Australians Fund, supporting up to 300,000 apprentices and trainees.
- Increased fees for businesses using the temporary skill shortage visa (formerly 457 visa) - small businesses to pay $1,200 per year for each visa holder, larger businesses will pay $1,800. These fees will go towards the Skilling Australians Fund.

- A one-off fee of $3,000 for small businesses, and $5,000 for larger businesses, for each employee sponsored under the permanent employer nomination scheme or regional sponsored migration scheme.
- $75b over 10 years for funding road and rail investments, including a $10b National Rail Program to fund regional and urban rail.
- $5.3b in equity to develop the Western Sydney airport.
- An increase in the Medicare levy from 2.0% to 2.5% from 1 July 2019 to ensure that the Commonwealth's share of the NDIS is fully funded.

ACT Region-Specific Budget Announcements

- $0.5m for Monaro Highway – Canberra Avenue to Hume planning stage.
- $1.0m for Pialligo Avenue Duplication planning stage.

Comment

The 2017-18 Federal Budget delivers continued support for small business – 97% of businesses in the ACT have less than 20 employees, and those with less than $10m in turnover will welcome the extension of the $20,000 instant asset write-off provision.

In the recent Deloitte SME Survey Chamber members identified skills shortages and red tape as significant barriers to growth, and it is pleasing to see that the Budget contains measures to alleviate these issues.

However, ACT growth industries, such as tertiary education and ICT/innovation-based businesses, require ready access to specialist skills. In some cases these skills must be acquired from overseas, and the Budget makes this more costly. This has the potential to affect the diversity of skills and knowledge available to support growth in these industries.

It is also disappointing to see no significant new infrastructure projects for the ACT in such a large infrastructure-spending budget which invests heavily in all States and the Northern Territory, but notably excludes the ACT. This fails to recognise the major role the ACT plays in economic development in the broader region.

The Budget holds potential opportunities for enhanced rail connectivity between regions and capital cities – e.g. Sydney to Canberra, or Canberra to Melbourne, and boosting the ACT's niche advanced manufacturing, defence innovation and cyber-security sectors.

It appears the Government is continuing to explore opportunities for decentralisation, despite recent prominent examples of this strategy failing. The Chamber warns the Government that decentralisation goes against the principle of industry clustering and co-location which leads to innovation, and has supported Australia's excellent economic and social performance.

It is unfortunate that Tourism Australia funding has decreased precisely at a time when the Canberra region is emerging as an international tourism destination. As a result, the Chamber urges the ACT Government to raise its budget for marketing Canberra to international visitors.