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## **MILD RELIEF FOR BUSINESS IN A FUTURE FOCUSED BUDGET**

Further energy bill relief, a continuation of the instant asset write-off and a partial extension in employer incentives for apprentices are the most welcome measures for small to medium enterprises (SMEs) in the Federal Budget.

The state's peak business organisation, Business NSW, says SMEs in NSW will receive welcome but moderate benefit from the Federal Budget amid challenging business conditions.

"Business NSW welcomes the \$325 in energy relief for small business owners, who are struggling with spiralling bills. Business owners will also benefit from a continuation of the instant asset write-off of up to \$20,000 and a partial continuation of apprenticeship rebates for employers.

"Members will continue to face a difficult trading environment, however, as GDP growth moderates and business investment slows, while there is still a question mark on how quickly inflation will come down.

"Businesses seeking structural reform in areas such as energy and tax will see assistance in this budget – but may be disappointed by some of the missed opportunities" Business NSW CEO Daniel Hunter said.

The Budget forecasts a \$9.3 billion surplus for 2023-24 – the second in 16 years – ahead of a challenging 2024-25.

GDP growth is forecast to drop from 3.1% for 2022-23 to 1.75% for 2023-24 and 2% for 2024-25. Total business investment growth is also expected to drop by more than half, from 8.3% in 2022-23 to 5.5% in 2023-24 and 1% for 2024-25.

Unemployment will grow to 4.5% next year. Nevertheless, real wage growth is expected to return in 2023-24, according to Treasury, as the wage growth forecast of 4% exceeds the inflation forecast of 3.5%.

Treasury forecasts a deficit of \$28.3 billion for 2024-25.

“The modified stage three tax cuts commencing on July 1 offer an average tax cut of \$1888 and should provide some positive relief for SMEs that have seen customers ease off on their spending,” Mr Hunter said.

“The Federal Government must focus on reducing SME’s tax burden. As Business NSW has said previously, NSW’s unfair deal at the hands of the Federal Government’s GST policy has again highlighted how important tax reform is in reigniting growth for SMEs.”

The Future Made in Australia fund represents a significant investment in the local manufacturing industry.

“While Business NSW welcomes the focus on domestic manufacturing, there needs to be a solid understanding on the three things that are the fundamentals of innovation: lower taxes, lower energy prices and an industrial relations system that is flexible, modern and internationally competitive,” Mr Hunter said.

“If it costs too much to do business here, businesses will simply go overseas. Emerging enterprises will reach their limit here and then move on to friendlier business environments.”

**Key budget items:**

**Energy:** \$325 energy rebates for eligible small businesses from 1 July. Around one million businesses will benefit. The credits will be applied in quarterly instalments. The Government is also providing \$1.8 million to progress regulatory reforms to retail energy markets that will support consumers experiencing hardship.

**Instant asset write-off:** Businesses with turnovers capped at \$10 million can deduct \$20,000 from all eligible assets until 30 June 2025 (\$290 million in total support). The Opposition has called for the eligibility threshold to be restored to \$50 million in turnover and the write-off amount increased to \$30,000.

**Apprentices:** Employers taking on apprentices in priority areas will be eligible for an additional \$1000 (\$5000 in total) to help subsidise costs associated with employing an apprentice. Individual apprentices training in priority areas will be eligible for an additional \$2000 (\$5000 in total) to assist them to undertake and complete their training.

**Personal income tax:** Stage three tax cuts mean all 13.6 million Australian taxpayers will receive a tax cut from July 1 onwards. The average tax cut is \$1888.

**Housing:** \$11.3 billion towards building new homes. This includes \$1 billion for roads, sewers, energy, water and community infrastructure, a doubling of Commonwealth homelessness funding to \$400 million every year (matched by states and territories) and \$9.3 billion for a 5-year National Agreement on Social Housing and Homelessness. The government aims to build 1.2 million homes by 2030.

**Domestic manufacturing:** The Made in Australia initiative involves a significant investment in our local manufacturing capabilities (\$22.7 billion over ten years). NSW benefits from a share in a \$1 billion investment for solar panel subsidies. A Hydrogen Production Tax Incentive and Critical Minerals Production Tax Incentive will provide \$6.7 billion and \$7 billion of support respectively over the decade, as part of the Future Made in Australia package.

**Construction skills:** \$90.6 million to boost the number of construction workers, including 20,000 new fee-free TAFE places and fast-tracked visa processing for around 1900 potential migrants.

**Energy skills:** Support for SMEs taking on clean energy, construction and manufacturing apprentices through access to Group Training Organisation services, with up to \$1500 in annual reimbursements over the life of an apprenticeship. There is also a \$50 million capital and equipment investment fund for facility upgrades to expand clean energy training capacity across wind, solar, pumped hydro, grid battery storage, electricity networks and hydrogen, as well as key electrical and construction trades. \$30 million to boost the clean energy teacher, trainer and assessor workforce. The Government will use \$1.9 million over three years to provide targeted grants to industry led projects that can encourage more people into the agricultural workforce via the AgUP grants.

**National Skills Agreement:** The Government will provide \$5.5 million in 2023–24 to continue supporting negotiations on a long-term skills funding agreement with the states and territories. Subject to the outcome of these negotiations, the Government has also retained \$3.7 billion in the Contingency Reserve for a 5-year National Skills Agreement that will commence on 1 January 2024

**Rent assistance:** \$1.9 billion to increase Commonwealth Rent Assistance by a further 10%.

**Tariffs:** Abolishing 457 nuisance tariffs from 1 July 2024 to boost productivity, reduce red tape and cut compliance costs.

**Investment:** The Federal Government will provide a single point of contact for investors and companies with major investment proposals.

**Debt helpline:** \$3.1 million over two years from 2024-25 will extend support available through the Small Business Debt Helpline.

**Mental health support:** \$7.7 million over two years from 2024-25 to continue providing mental health support through the NewAccess for Small Business Owners program, so small businesses can access free and specialised help.

**Payments:** Providing \$25.3 million over four years from 2024-25 to improve payment times for small businesses, helping improve cash flow and boosting productivity.

**Defence grants:** The Government will invest \$183.8 million in defence industry grants to support Australian small and medium businesses. This will include the new Defence Industry Development Grant Program, which will reduce the administrative burden on SMEs and provide greater opportunities for tailored financial support.

**On the job training:** The government will pay \$8300 for trainee nurses, teachers and social workers to do their six months mandatory training.

**Regions:** The Future Drought Fund will get a \$519.1 million boost to fund programs to help farmers and regional communities prepare for dry conditions and improve climate resilience.

**Roads and transport** \$1.9 billion for Western Sydney roads. The money goes towards 16 projects includes \$500 million for the Stage 2 Upgrade of Mamre Road, \$400 million to deliver priority section upgrades for Elizabeth Drive, \$100 million for rapid bus infrastructure and funding to progress the planning of the Eastern Ring Road and upgrade of Badgerys Creek Road South.

### **About Business NSW**

Formerly the NSW Business Chamber, **Business NSW** is the peak policy and advocacy body which has been representing businesses in NSW since 1826. We represent almost 50,000 businesses.

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