

Victorian Budget  
2023/24

# Doing what matters

Tim Pallas MP  
Treasurer of Victoria  
Public Accounts and Estimates Committee  
3 June 2023



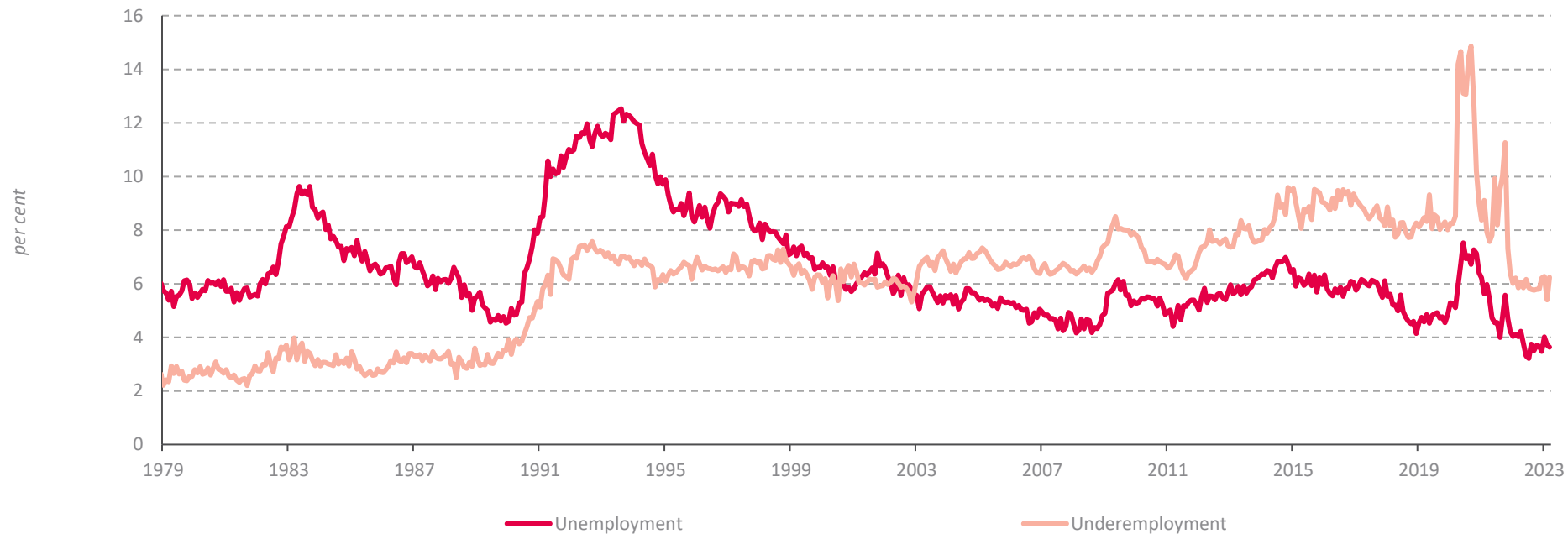
## Doing what we said we'd do

- Last year, we took a positive plan to the Victorian people.
- It was a plan for better hospitals, world-class schools, and the road and rail our growing state needs.
- It was a plan for cleaner, cheaper renewable energy, a plan for the very best start in life for our kids, and a plan to help Victorians with the rising cost of living.
- It was a plan to keep doing what matters.
- This Budget funds every election commitment we made.



# The unemployment rate is below 4 per cent as it has been for the past year – which hasn't happened for nearly 50 years

## UNEMPLOYMENT AND UNDEREMPLOYMENT RATES



# Delivering on our fiscal strategy

## FOUR-STEP FISCAL STRATEGY

- **Step 1:** Creating jobs, reducing unemployment and restoring economic growth
- **Step 2:** Returning to an operating cash surplus
- **Step 3:** Returning to operating surpluses
- **Step 4:** Stabilising debt levels



**ON TRACK**

	Unit of measure	2021-22 actual	2022-23 revised	2023-24 budget	2024-25 estimate	2025-26 estimate	2026-27 estimate
Net result from transactions	\$ billion	(13.8)	(10.3)	(4.0)	(1.1)	1.0	1.2
Net cash flows from operating activities	\$ billion	(8.9)	2.9	0.8	4.3	6.5	6.5
Government infrastructure investment	\$ billion	18.7	22.5	22.4	20.6	18.6	16.9
Net debt	\$ billion	100.0	116.7	135.4	151.2	162.2	171.4
Net debt to GSP	per cent	19.4	20.6	22.6	23.9	24.4	24.5

## COVID Debt Repayment Plan

**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.**

We had to borrow \$31.5 billion to save jobs and save lives and to get through. We are not the only government in this position. But we're the only government with a plan to manage it with our *COVID Debt Repayment Plan*.

With the economy strong, now is the time to confront this situation squarely to repay the COVID debt that kept Victoria going during the pandemic. We will repay this debt over the next 10 years, by 2033.

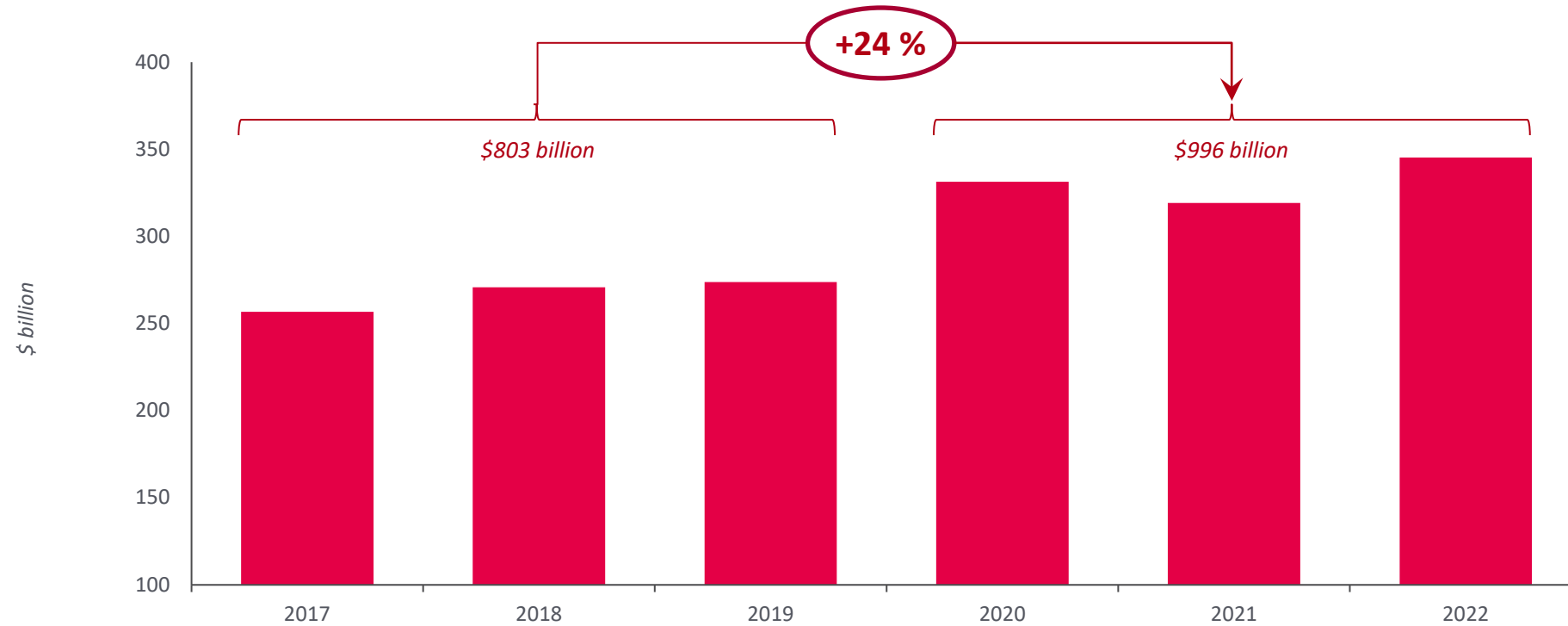
The Plan is temporary, targeted and above all, responsible. The repayment plan is structured in a way that's reasonable and proportionate to ability to pay. The government will also do its bit.

There are three parts to the plan: a COVID Debt Levy, government rebalancing the public service and the Victorian Future Fund.



# Business profits are up 24 per cent in the past three years compared to the previous three years

## BUSINESS GROSS OPERATING PROFITS, EXCLUDING MINING, AUSTRALIA



## COVID Debt Levy – Payroll \$10 million +

The *Covid Debt Repayment Plan* contains a temporary levy that will apply for 10 years, until 30 June 2033, which has two components. The first component of the COVID Debt Levy is the **COVID Debt Levy - Payroll \$10 million +**

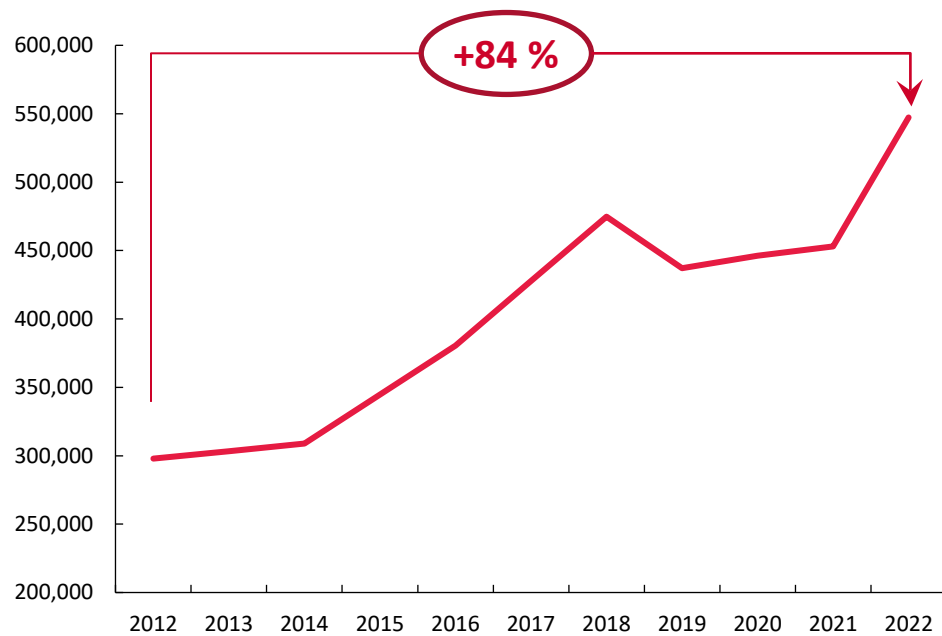
- From **1 July 2023**, a temporary payroll tax levy will apply on large businesses with national payrolls above \$10 million a year.
  - » A rate of 0.5 per cent will apply for businesses with national payrolls above \$10 million, and businesses with national payrolls above \$100 million will pay an additional 0.5 per cent.
- The additional rates will be paid on the Victorian share of wages above the relevant threshold.
- Around the **largest 5 per cent** of Victorian employers will be affected.

### ESTIMATED REVENUE RAISED (\$MILLION)

	2023-24	2024-25	2025-26	2026-27	Total
COVID Debt Levy – Payroll \$10m+	836.2	961.0	1 005.6	1 070.5	<b>3 873.4</b>

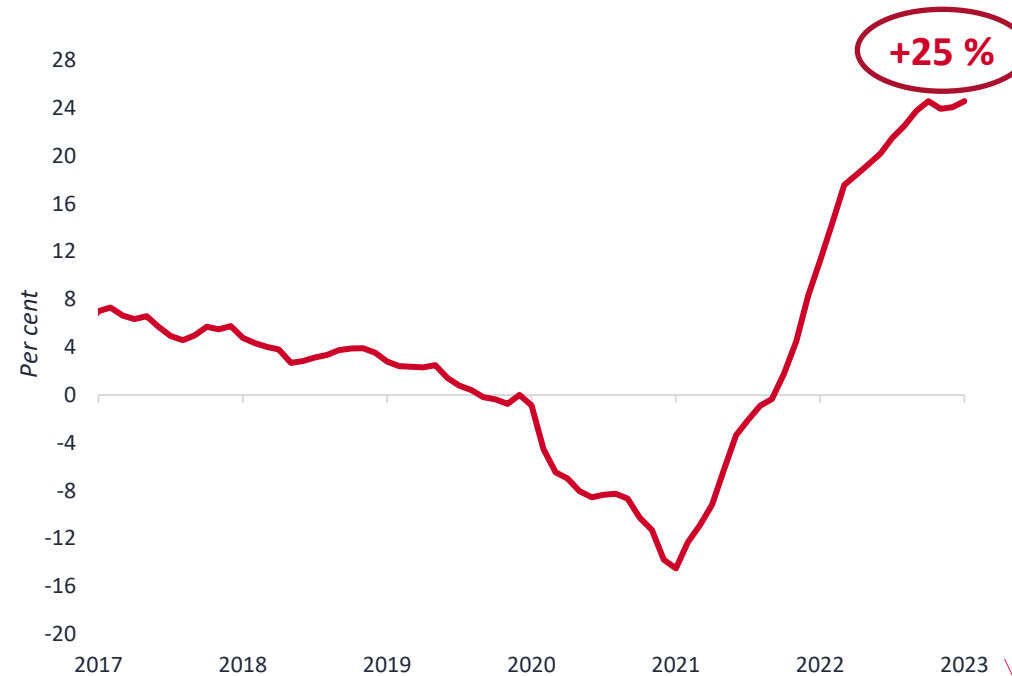
# Land values and rents have increased substantially

Growth in residential site values, per assessment, between 2012 and 2022\*



Source: Valuer General Victoria, revaluation outcome summaries, Department of Treasury and Finance  
\* Valuations were biannual prior to 2019

Melbourne rental prices, annual growth



Source: Australian Bureau of Statistics, SQM, Department of Treasury and Finance



# COVID Debt Levy – Landholdings

## The second component is the COVID Debt Levy - Landholdings

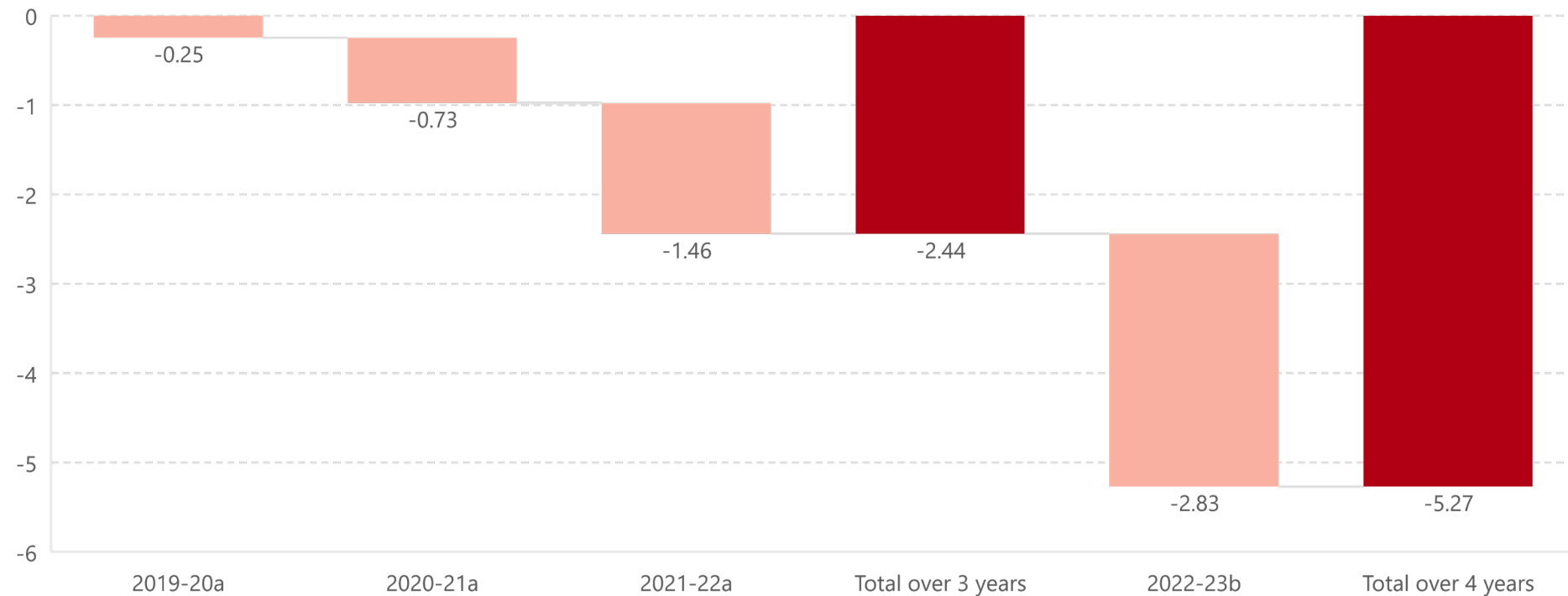
- This measure will involve a temporary decrease in the land tax-free threshold and a modest increase in land tax rates:
  - » A fixed charge of **\$500** levied on landholdings between \$50 000 and \$100 000
  - » A fixed charge of **\$975** levied on landholdings above \$100 000
- Rates for landholdings above \$300 000 will increase by an additional **0.1 percentage points**.
- The average increase is \$1,300, or around \$3.50 per day.
- All current land tax exemptions will continue to apply, including the principal place of residence exemption.

## ESTIMATED REVENUE RAISED (\$MILLION)

	2023-24	2024-25	2025-26	2026-27	Total
COVID Debt Levy – Landholdings	1 149.1	1 173.0	1 197.3	1 222.2	<b>4 741.6</b>

# Victoria is a net contributor to GST receiving \$2.5 billion less than our population share during the pandemic

## COMMONWEALTH GOVERNMENT GST GRANT REVENUE TO VICTORIA FORGONE FROM LOWER THAN PER CAPITA SHARE DISTRIBUTIONS



Source: Department of Treasury and Finance, Commonwealth Government Final Budget Outcomes (2019-20 to 2021-22) and 2023-24 Federal Budget

## COVID Debt – savings and efficiencies

**THE GOVERNMENT WILL ALSO DO ITS BIT BY IMPLEMENTING A RANGE OF SAVINGS AND EFFICIENCIES THAT WILL TOTAL \$2.1 BILLION OVER FOUR YEARS**

These measures include reductions in corporate and back-office functions, reductions in labour hire and consultancy expenditure, and efficiencies across public non-financial corporations and public financial corporations.

These savings are designed to make government more efficient. They will rebalance the public service back towards pre-pandemic levels.

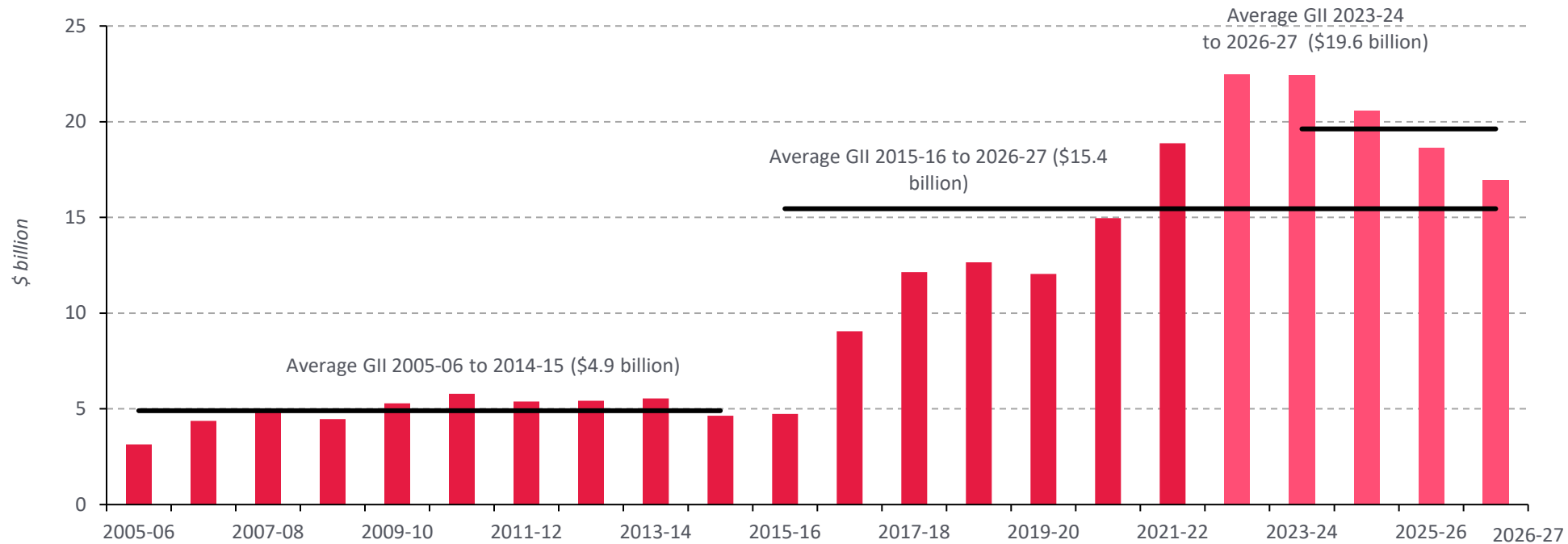
Frontline services will not be affected.

This Budget will commence delivery of every election commitment, including:

- Healthcare: where and when you need it
- Bringing back the SEC
- Powering the economy
- The best start in life for all Victorians
- Getting Victorians home sooner and safer
- A fairer Victoria
- Supporting rural and regional Victoria.

# Victoria's Big Build is creating jobs and transforming the state

## Government infrastructure investment



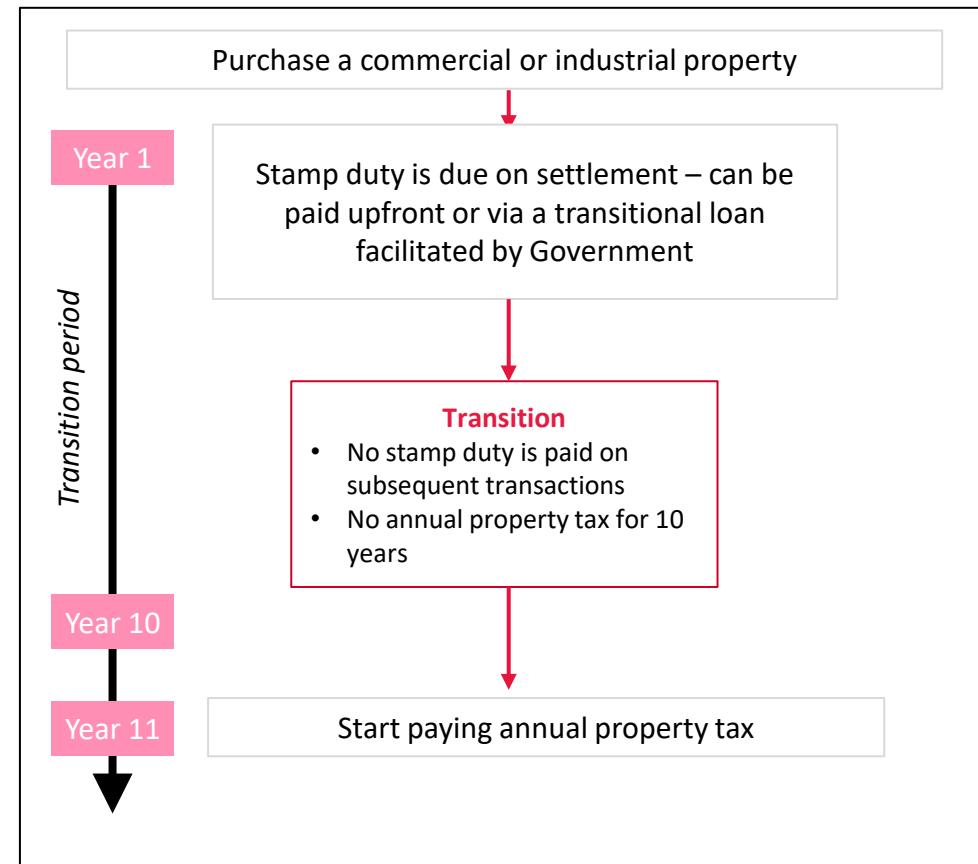
### Notes:

- (a) Includes general government net infrastructure investment and the estimated cash flows for public private partnership projects.
- (b) Includes the estimated private sector construction related expenditure associated with the North East Link held in the PNFC sector.
- (c) Excludes the impact of the medium-term lease over the operations of the Port of Melbourne and the divestment of Victoria's share of Snowy Hydro Limited.

# Powering the Economy: Stamp Duty Reform for commercial and industrial properties

We will transition stamp duty to an annual property tax for commercial and industrial properties.

- The cumulative increase in the size of the Victorian economy from this reform is up to **\$50 billion** in net present value over 40 years.
- The transition away will occur after the next sale, with the annual property tax applying after 10 years.
- Current owners will not be affected.
- Residential properties will not be affected.
- Work is underway to finalise details by the end of 2023 and the new system to start from 1 July 2024.





## Powering the Economy: Payroll Tax Reform

To support small Victorian businesses, the Government will raise the payroll tax-free threshold and phase out the benefit of the tax-free threshold for larger business

- From 1 July 2024, the payroll tax-free threshold will be lifted from \$700 000 to \$900 000.
- From 1 July 2025, the payroll tax-free threshold will be lifted again, to \$1 million.
- 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 (or around 60 per cent of payroll taxpaying businesses) will benefit in total.
- From 1 July 2024, the Government will also introduce a ‘phase out’ to better target the benefits of the tax-free threshold to small business. Any business with a payroll of less than \$3.6 million will benefit.

# Powering the Economy: Economic Growth Package

We're committed to a significant program of tax reform, gradually abolishing and reducing some of the state's most inefficient taxes

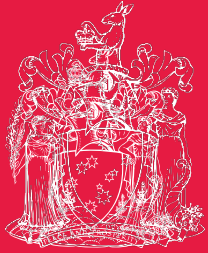
- We're progressively **abolishing business insurance duty** by 2033.

We're also making it easier to start and run a small business in Victoria through our regulatory reform agenda including

- **\$38 million** for a government-wide **Regulatory Reform** program

And we're committed to boosting growth with

- The establishment of an Economic Growth Commissioner to undertake inquiries commissioned by the Government into impediments to economic growth
- Targeted industry investments to drive innovation, including
  - » **\$12.3 million** to continue supporting our growing mRNA industry and assisting sovereign mRNA manufacturing in Victoria.
  - » **\$12 million** to help our exporters expand and strengthen their connections to international markets



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