

# Federal Budget 2023-24.

## Takeaways for small and medium businesses



Budget Position



Economic Outlook



Key takeaways for SMEs

With small to medium businesses being one of the main beneficiaries, Judo Bank's Chief Economist, Warren Hogan, outlines **what this year's Federal Budget means for SMEs.**

**2023-24 Budget delivers the first surplus in 15 years: the result of a strong economy and a government prepared to allow most of the \$40bn of unexpected revenues to flow to the bottom line. This spending restraint will improve Australia's government finances, and ensure the government doesn't add to inflationary pressures in the economy.**

Small business and low-income households are the main beneficiaries of new policies set out to help Australians with the impacts of high inflation. There are a range of new spending measures that will help with cash flow and provide incentives to invest.

The notable change in this Budget is a much bigger projection for Australia's population. A surge in immigration in 2022/23 and 2023/24 underpins a permanently larger workforce, and a permanently larger income tax take. The Government remains committed to the Stage Three Income Tax cuts due to commence on 1 July 2024.

A bigger population and higher commodity price assumptions have done the heavy lifting on improving the government's financial projections, which, over the next four years, are a cumulative \$125bn better than in the Budget in October 2022.

This leaves the government in a much better position to deal with economic challenges that may lie ahead, whether that be the current cost of living pressures or a much weaker world economy in 2024.

Stronger government finances mean a greater capacity to support the economy. Australia's economy and the government Budget are in a much better position than a year ago. This should give us confidence that Australia's economy can navigate whatever the global economy throws at it over the next two years.

**Warren Hogan**

Chief Economic Advisor

**"The global economy is slowing due to persistent inflation, higher interest rates and financial sector strains.**

**Outside of the pandemic and the Global Financial Crisis, the next 2 years are expected to be the weakest for global growth in over 2 decades.**

**This will affect us here in Australia."**

Treasurer's Budget Speech

9 May 2023

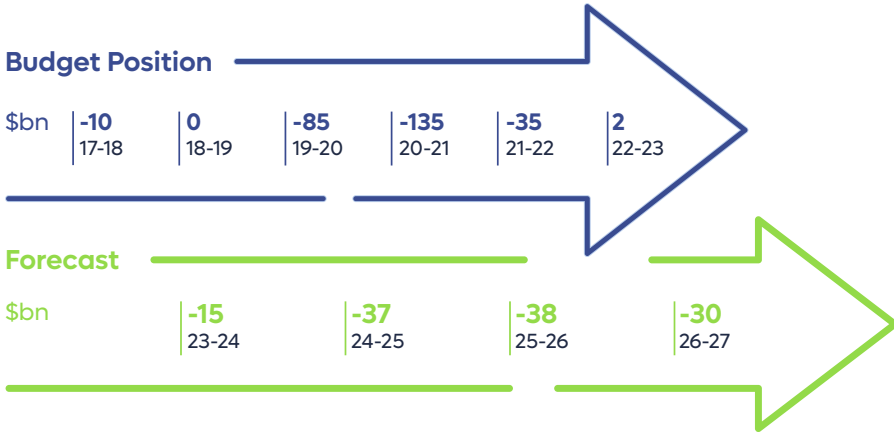




# Budget position.

## While in surplus, a structural budget deficit remains

Underlying Budget Balance (\$bns)



While a strong economy and high commodity prices have delivered the first Budget surplus in 15 years, a structural budget deficit still remains and will need to be addressed in the years ahead.



New net spending totals

**\$22 billion**  
over the next 4 years



The budget deficit is predicted to reach almost

**\$37 billion**  
in 2025-26

## Government Spending has averaged

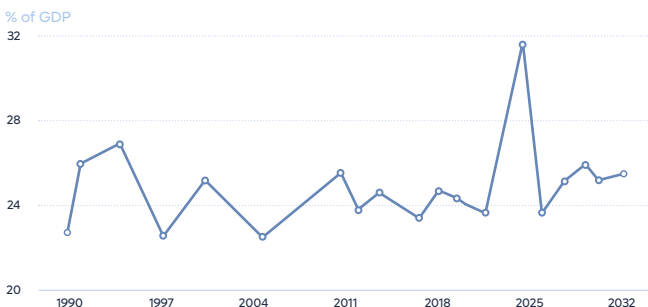


**25%** of GDP since 1990. It is projected to rise to almost

**27%** of GDP by the end of the decade.

## Australia's Government Sector is Growing

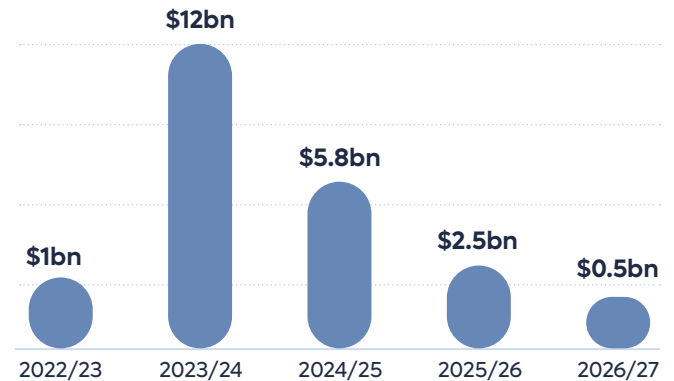
(Government Spending % of GDP)



The Budget is projecting a permanently higher level of government spending over the next decade, largely the result of rising spending requirements in health, aged care and defence.

## New spending measures will have the biggest impact over 2023/24

Budget Cost of New Policy Measures



New spending measures net of new taxation revenues will have the biggest positive impact on the economy over the year ahead.

The current budget surplus of

**\$4.2 billion**  
is the first in 15 years





# Economic outlook.

## The Government expects the economy to slow down in 2023-24

Real GDP Growth



The government is projecting a quick slowdown in the economy in 2023-24 as interest rate rises flow through the economy and activity slows. A gradual recovery in GDP growth is then expected from 2024-25.

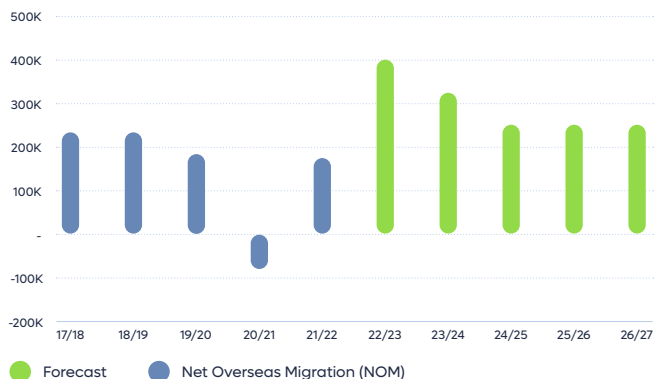
Net Overseas Migration is estimated to be

**400,000 persons**

in 2022-23, about double the annual average of the past two decades



## Net Overseas Migration (NOM)



The government is projecting the biggest annual increase in net overseas migration on record in 2022/23, at 400,000 persons. NOM is expected to fall back to more normal levels within two years. High population growth, while helping with labour shortages, will also boost domestic demand, and potentially inflation.

Inflation predicted to fall to

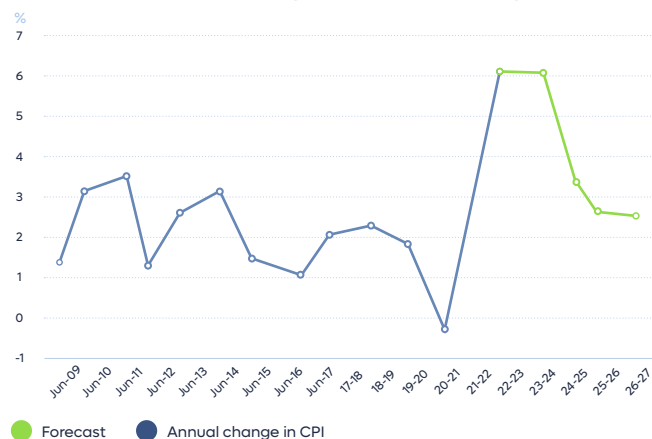
**3.5%** in 2023-24



GDP growth predicted to slow to

**1.5%** in 2023-24

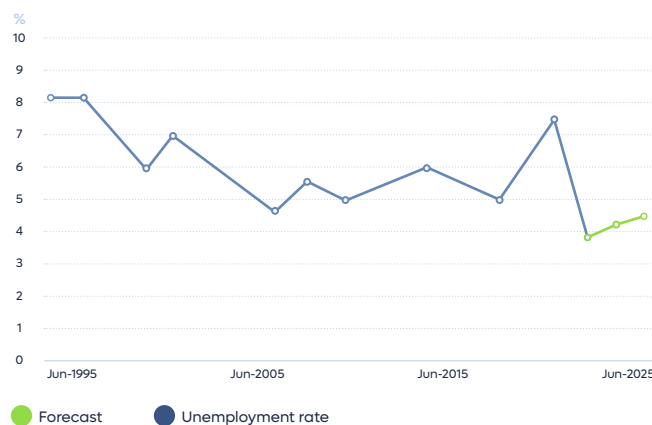
## Inflation Heading Back to Target



In line with the RBA's projections, the government expects inflation to fall steeply through 2023-24, and return to the RBA's target range by 2025.

## Government expects to maintain historic low level of unemployment

Unemployment rate



While a slowdown to economic growth is projected, the government expects to retain the improved employment levels that the pandemic recovery brought, with the unemployment rate projected to remain at historic lows over the forecast period.

Unemployment rate predicted to rise to

**4.5%** by 2024-25





## What's in it for SMEs?



### Energy bill relief

- **Up to \$650 energy bill relief for small businesses**  
A \$325 Commonwealth rebate will be available to eligible small businesses in each state, which will translate to \$650 of bill relief in all states and territories excluding Victoria and ACT. The ACT is providing other state-based measures to assist further.
- **Up to \$20,000 in tax deductions per business for investment in electrical energy upgrades, under the Small-Medium Business Energy Incentive**  
In an attempt to assist businesses with rising energy bills, businesses with a turnover of up to \$50m will be incentivised to electrify their cooling and heating systems, install batteries and heat pumps, as well as more efficient fridges and induction cooktops. The maximum bonus tax deduction is \$20,000 per business and will cost \$314m over the next four years.

### Cashflow impacts

- **Reduction in PAYG and GST instalment amounts**  
Businesses with annual turnover under \$10 million will pay a reduced GDP adjustment rate on PAYG and GST instalments of 6%, down from the 12% standard.
- **Instant asset write-off reduced to \$20,000 and only for businesses with annual turnover under \$10 million**  
SMEs will no longer be able to write off the value of an investment exceeding \$20,000 in the same year of purchase. The write-off will have to occur over the life of the investment (via depreciation), having negative effects on business cash flow and incentives to invest.
- **Businesses will be required to pay employees superannuation with each pay cycle.**  
Businesses will no longer be able to pay superannuation every quarter from July 1, 2026. Payments will have to be made at the same time as salaries and wages. The rationale behind this is to reduce the underpayment of super, which the Federal Treasury estimates was approximately \$3.4 billion in 2019-2020. 30% of SMEs currently pay salaries quarterly and will be impacted as the management of business cash flow may become more difficult.



### Cyber security and AI

- **Council of Small Business Organisation Australia (COSBOA) Cyber Security Program**  
The COSBOA-led, Cyber Security Program will aim to equip small businesses with the skills required to improve cyber safety. This program seeks to reduce cybercrime attacks, of which SMEs make up 60% of those attacks, costing approximately \$33 billion annually.
- **Investment in SME support of Quantum and Artificial Intelligence**  
While not clearly described, support will be provided to SMEs to adopt AI technologies to improve business processes and increase trade competitiveness.

### Health

- **Bulk billing incentive tripling for concession holders**  
The government is investing \$3.5 billion to triple the bulk-billing incentive for patients aged under 16 years, pensioners, and other Commonwealth concession card holders. This includes all face-to-face general practice consultations more than six minutes in length and certain telehealth consultations.