

# Federal Budget 2024-25.

## Takeaways for small and medium businesses



Budget Position



Economic Outlook



Key Takeaways for SMEs

With ongoing uncertainty around inflation and the economy in 2024-25, Judo Bank's Chief Economic Advisor, Warren Hogan, outlines the impacts of **this year's Federal Budget on the cost-of-living crisis, businesses and the wider economy.**

The Government's clear priority in this Budget is to address the cost of living crisis ravaging living standards across our community. Revamped Stage 3 tax cuts, energy rebates and rental assistance will inject more than \$30bn into household finances in 2024/25. This injection of new money should boost household disposable income growth and, combined with continuing job growth, should see an increase in consumer spending in 2024/25.

But the Government's \$10bn in new spending comes at a cost to the Budget bottom line, which is expected to swing from a surplus this year to a \$28bn deficit in 2024/25. With Budget deficits forecast for the next four years, the Government has little scope for significant new programs to support SMEs. The \$325 energy rebate and extending the instant asset write-off for small business for another year are welcome measures.

**"We know the global energy transformation represents a golden opportunity for Australia.**

**The world is changing, the pace of that change is accelerating, and our approach to growth and investment needs to change as well.**

**If we hang back, the chance for a new generation of jobs and prosperity will pass us by – and we'll be poorer and more vulnerable as a consequence."**

Treasurer's Budget Speech  
14 May 2024

New spending measures, while aiming to assist the RBA, could cause more harm than good. Bill relief and rental assistance may mechanically bring down energy and rental price inflation, but the boost to real household disposable incomes will likely stimulate consumption and, thus, inflation more broadly. How much of a headwind the stimulus causes the RBA in its inflation battle depends on how much of the additional income is saved rather than spent.

Australian businesses will benefit if the Government's measures to support household finances translate into better consumer sentiment and a lift in spending. Australian SMEs have experienced a significant improvement in business conditions since the low point last November, evidenced by the Judo Bank PMIs. We hope that following the stimulus in this Budget, business activity levels will continue to improve through 2024/25.

**Warren Hogan**

Chief Economic Advisor

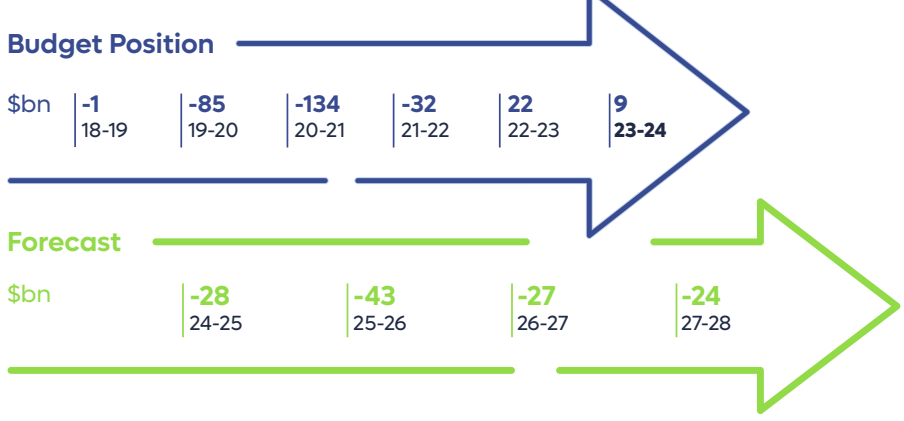




# Budget position.

## Surprise budget surplus in current year 2023-24 to be followed by four years of deficits

Underlying Budget Balance (\$bns)



A strong economy improved the underlying budget balance by \$10.6bn in current year 2023-2024. This combined with spending restraint from the government led to a \$9.3bn surplus.



New spending measures have widened predicted deficits by

**\$24 billion** over the next four years.

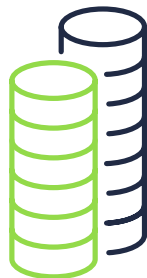
Budget deficits are projected to peak at

**\$43 billion** in 2025-26

## Net interest payments

on government debt are projected to reach **\$26bn** in 2027-28, equal to **0.8%** of

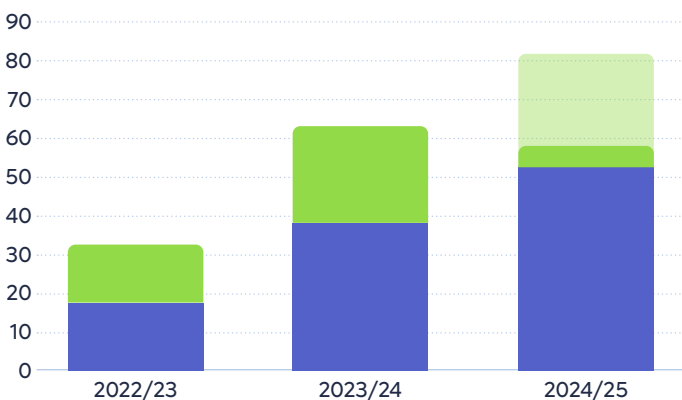
Gross Domestic Product



## Bracket creep has been significant

Drivers of growth in personal income tax compared to 2021-22

- Bracket creep and policy changes
- Bracket creep reduced by tax cuts
- Employment and income growth

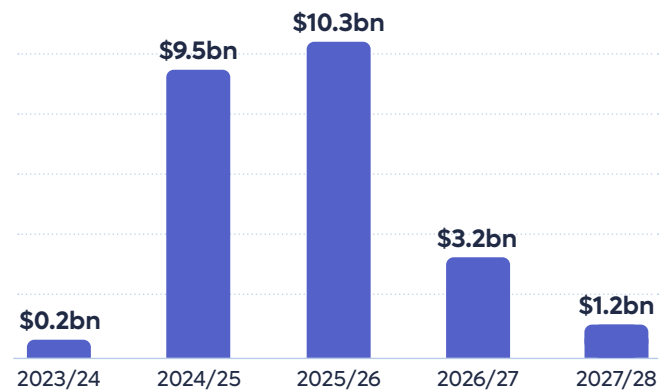


Bracket creep has increased government revenue from income tax by over \$40bn over the past two years. Stage three tax cuts reduce bracket creep to \$6bn over the year ahead.

**Boldly backing business.**

## New spending measures predominantly take place over the coming two years.

Budget Cost of New Policy Measures



New spending measures net of new taxations will have the biggest impact on the economy over 2024-25 and 2025-26.

A current year 2023-24 budget surplus of

**\$9.3 billion**

is predicted, the first consecutive budget surplus in almost two decades.





## Economic outlook.

### Treasury predicts inflation will return to the RBA target band in 2024-25.



Treasury anticipates a quicker return than the RBA of inflation to target as measured by the consumer price index. Cost-of-living measures introduced in this year's Budget are predicted to mechanically reduce inflation figures by around half a per cent.

Inflation predicted to fall to

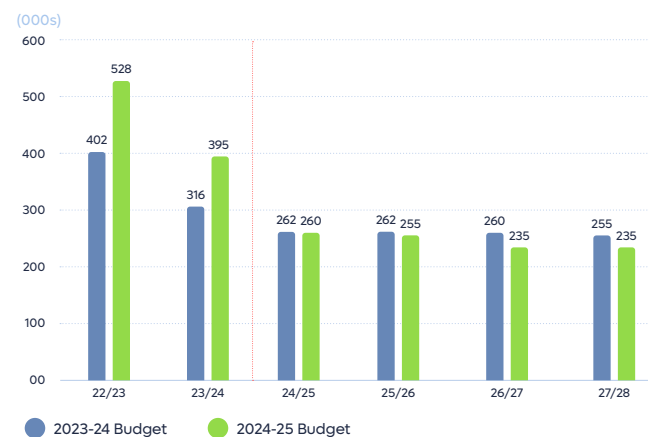
**2.75%** in 2024-25



Real GDP growth predicted to recover to

**2.0%** in 2024-25

### Net Overseas Migration



Despite 2023-24 budget projections undershooting the last two years of net overseas migration by about 200,000 people, the government expects migration to return to pre-pandemic levels in 2024-25.

## What's in it for SMEs?

This budget aims to provide cost-of-living relief for households, recognising that reduced consumer spending was a key factor in the economic slowdown in 2023.

Despite the slowdown in activity, businesses are heading into 2024-25 in good shape. There are few new policy measures specifically aimed at the business sector, apart from the long-term initiatives outlined in the Government's new industry policy. Below are some key ways in which SMEs will benefit from this year's budget. While the below support measures introduced are welcomed, they are unlikely to bring about significant change for most SMEs.

- **Instant asset write-off has been extended until June 30, 2025.** The extension will benefit approximately four million SMEs (with an annual turnover under \$10 million) and allow for the tax write-off of assets with a threshold value of up to \$20,000.

- **Energy bill relief via a one-off \$325 rebate.** Approximately one million businesses will be eligible for the rebate, and all households will also receive \$300. The initiative is expected to cost the Government a total of \$3.5bn.
- **Indirect benefit of the Stage 3 tax cuts.** While not directly tied to business operations, the tax cuts set to commence July 1 are expected to improve business activity levels, with the average taxpayer taking home an additional \$1,888 a year.
- **Financial counselling and mental health support for small business owners.** \$10.8 million over two years from 2024-25 to extend the Small Business Debt Helpline and the NewAccess for Small Business Owners program.

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