CIB LEADING ACCOUNTANTS & BUSINESS ADVISERS

FEDERAL BUDGET

2024 - 2025

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Contents

Budget Overview

Key messages

In his Budget Speech Treasurer Jim Chalmers summarised the key elements of the 2024-25 Budget as:

"This Government and this Budget delivers for every Australian:

- A tax cut for every taxpayer.
- Wages growing in every industry.
- A better deal for every working parent.
- A fairer go at every checkout.
- New help with energy bills for every household and for small business.
- Stronger Medicare in every community.
- More homes in every state and territory.
- More opportunities in every TAFE and University.
- A dignified retirement for older Australians.
- Energy and industry policies that help bring the jobs of the future to every corner of our country.
- An economic plan where growth and opportunity go together.
- A Government and a Budget for every Australian."

Policy decisions – Summary

Stage 3 tax cuts

The Government's changes to the Stage 3 tax cuts are a key element of the Budget. They broaden the benefit of the original tax cuts, halving the tax break for wealthier taxpayers and increasing the benefit for those on lower incomes. The changes cut the bottom tax rate which applies to incomes below $45,000, from 19 per cent to 16 per cent. That will give a tax cut of up to $804 a year to all tax-filers, including those on higher incomes. At the same time Stage 3 tax cuts for higher earners are reduced. The result is that people with taxable incomes of less than about $146,486, or nearly 90 per cent of all tax-filers, will get either the same or a larger tax cut, whereas the 10 per cent with higher incomes will get smaller tax cuts than under the original Stage 3.

Cost of living

The Budget's key new cost-of-living measure is a new energy bill relief payment, extending existing energy relief measures. From 1 July 2024, the Budget provides rebates of $300 to every household and $325 to around one million small businesses. The Budget Papers say this "is expected to directly reduce headline inflation by around ½ a percentage point in 2024–25 and is not expected to add to broader inflationary pressures."

There is also relief for renters by increasing maximum rates of Commonwealth Rent Assistance by an additional 10 per cent, at a cost of $1.9 billion over five years from 2023–24. This increase will support nearly one million households. The Budget also continues the freeze on social security deeming rates at their current levels for a further 12 months until 30 June 2025. This will benefit around 876,000 income support recipients, including around 450,000 Age Pensioners.

Education

Ahead of the Budget the Government announced changes to higher education funding, reducing the indexation of accumulated student contribution debts and backdating the new system to 2023. The Government estimates about $3 billion in indexation debt will be cancelled, helping about 3 million Australians. It also announced a new ‘Commonwealth Prac Payment’ which will provide a student payment of $319.50 a week for higher education student while on clinical and professional placements.

Future Made in Australia

The Budget provides some more detail – though many will believe it remains vague – of the Government's ‘Future Made in Australia’ plan.

Housing

The Budget includes another $1 billion to help states and territories build more housing sooner, an additional $1.9 billion in loans to help build 40,000 social and affordable housing. The Treasurer said, “We are providing $1.9 billion to increase the maximum rates of Commonwealth Rent Assistance by a further 10 per cent.” This is in addition to a 15 per cent increase in the previous Budget.

Budget outcome - Summary

Treasurer Jim Chalmers forecast a second successive surplus – of $9.3 billion – in Tuesday's budget, and promised cost-of-living relief without fuelling inflation while trying to reshape the economy with its Future Made in Australia industry package. After producing a record $22.1 billion surplus in their first budget, Dr Chalmers and Finance Minister Katy Gallagher unveiled a $10.5 billion improvement in the budget bottom line from what they were forecasting in the mid-year Budget update and a $54 billion turnaround on what was expected at the 2022 election. But the surplus is expected to disappear in the coming financial year as a forecast fall in commodity prices, a softer jobs market and a slowdown in wages reduce tax receipts.

Economic growth and inflation forecasts - Summary

The Budget says economic growth is expected to remain subdued over the Budget forecast period. Real GDP is forecast to grow by 2 per cent in 2024–25, and 2¼ per cent in 2025–26.

Inflation is forecast to fall from 6.0 per cent in 2022-23, to 3 ½ per cent in 2023-24, 2 ¾ per cent in 2024-25 and 2025-26 and 3 ½ per cent the following two years.

Links to all Budget documents

All Budget 2024-25 documents referred to below under references can be found at the following official Budget 2024-25 url: Budget 2024-25

Budget outcome

The Budget forecasts a surplus of $9.3 billion in 2023-24 (the current financial year), to be followed by deficits of $28.3 billion in 2024-25 and $42.8 billion in 2025-26.

This compares with a deficit of $13.9 billion in 2023-24 (a turnaround of $22.3 billion), -$35.1 billion and -$36.6 billion forecast in the 2023-24 Budget.

Budget outcome

	Actual	Estimates						Projections
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Total(a)	2034-35
	$b	$b	$b	$b	$b	$b	$b	
Underlying cash balance	**22.1**	**9.3**	**-28.3**	**-42.8**	**-26.7**	**-24.3**	**-112.8**	
Per cent of GDP	0.9	0.3	-1.0	-1.5	-0.9	-0.8		-0.1
Gross debt(b)	**889.8**	**904.0**	**934.0**	**1,007.0**	**1,064.0**	**1,112.0**		
Per cent of GDP	34.7	33.7	33.9	35.1	35.2	34.9		30.2
Net debt(c)	**491.0**	**499.9**	**552.5**	**615.5**	**660.0**	**697.5**		
Per cent of GDP	19.2	18.6	20.0	21.5	21.8	21.9		18.7

The Budget Papers say, "The Government is supporting monetary policy to keep the pressure off inflation by targeting a surplus and banking 96 per cent of tax receipt upgrades in 2023–24. Since coming to government, 82 per cent of tax upgrades have been returned to the budget.

A deficit of $28.3 billion (1.0 per cent of GDP) is forecast in 2024–25. The larger deficit is driven by the Government's cost-of-living relief and addressing unavoidable spending including terminating health funding and frontline services. Over the six years to 2027–28, the underlying cash balance is stronger in every year compared to PEFO and has improved by a cumulative $214.7 billion.

The upgrades to receipts in this Budget are much smaller than recent budget updates, at around a fifth of the average of the previous three Budgets. This Budget sees tax receipts, excluding GST and policy decisions, increasing since MYEFO by $8.2 billion in 2024–25 and $27.0 billion over the forward estimates.

Real payments growth has been limited to an average 1.4 per cent per year over the period since coming to government to 2027–28, compared to around 3.2 per cent over the past 30 years. The Government has identified $32.2 billion in budget improvements in this Budget, bringing the total to $104.8 billion since coming to government."

References
Budget Paper No 1 - Statement 1 – Budget Overview

Economic Outlook and Forecasts

Economic overview

In his Budget Speech Treasurer Jim Chalmer said the Budget was being framed "in fraught and fragile global conditions." He said, "This uncertainty combines with cost of living pressures and higher interest rates to slow our economy, with growth forecast to be just 1¾ per cent this financial year and 2 per cent next."

He said, "Annual inflation has more than halved from its peak in 2022 and it's now lower than anticipated in the mid-year update." The Budget has "designed our cost of living policies to ease these pressures and take another ¾ of a percentage point off inflation this year, and ½ a percentage point next year."

Major economic forecasts

	Outcome	Forecasts				
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Real GDP	3.1	1 3/4	2	2 1/4	2 1/2	2 3/4
Employment	3.5	2 1/4	3/4	1 1/4	1 3/4	1 3/4
Unemployment rate	3.6	4	4 1/2	4 1/2	4 1/2	4 1/4
Consumer price index	6.0	3 1/2	2 3/4	2 3/4	2 1/2	2 1/2
Wage price index	3.7	4	3 1/4	3 1/4	3 1/2	3 1/2
Nominal GDP	9.9	4 3/4	2 3/4	4	5 1/4	5 1/4

a) Real GDP and Nominal GDP are percentage change on preceding year. Employment, the consumer price index and the wage price index are through-the-year growth to the June quarter. The unemployment rate is the rate for the June quarter.

Source: ABS Australian National Accounts: National Income, Expenditure and Product; Labour Force Survey, Australia; Wage Price Index, Australia; Consumer Price Index, Australia; and Treasury.

Dr Chalmers took the unusual step of foreshadowing the Budget's economic forecasts ahead of the Budget. The move was designed to highlight differences in the Budget's economic forecasts (compiled by Treasury) showing inflation falling earlier and those from the Reserve Bank, with the Treasurer emphasising the Budget forecasts took account of changes made in the Budget.

Inflation will fall back to within the Reserve Bank's target range a year earlier than the Bank has forecast, according to the Budget's figures. "That'll be the difference, frankly, between the Reserve Bank's forecasts and our forecasts, just an issue of timing – ours has the Budget in it, and theirs weren't able to. But speaking about inflation is a good opportunity to remind people that we know people are still under pressure, but we have made pretty substantial progress in this inflation fight. It's less than half what its peak was in 2022, but we know we've got more to do. And you'll see that in the Budget," Dr Chalmers on ABC Radio National.

The Budget forecasts sets up a possible conflict between the Government and Reserve Bank over interest rate movements ahead of the next election, due by May 2025.

But the numbers also reveal that the economy growing more slowly than expected, with the budget papers warning that "considerable uncertainty" surrounding the global and domestic economic outlook is making accurate forecasting more difficult than usual. In a round of television interviews on Sunday morning, the treasurer, Jim Chalmers, foreshadowed some good news, indicating that the budget would show inflation falling faster than the Reserve Bank has suggested. The government later released figures indicating it could be back below 3 per cent by the end of this year. The Treasurer said the Budget was designed to push inflation down, not up, but would also “make things a little easier for people”.

Details of the inflation forecasts released after his round of Sunday interviews confirmed that the budget would forecast headline inflation returning to between 2 per cent and 3 per cent by the end of 2024, not 2025 as the Reserve Bank says. The last official figures put inflation at 3.6 per cent for the year to March, already better than the mid-year forecast. But the Budget also dampens growth expectations, with December’s mid-year forecast of 2.25 per cent real growth in gross domestic product for 2024-25 now downgraded to 2 per cent, and from 2.5 per cent to 2.25 per cent the year after.

Dr Chalmers acknowledged the tension between needing to grow the economy and provide real relief without increasing spending that could push up inflation and make things worse. “We’re also conscious that the economy is not especially strong right now, and so there are some fine balances to strike,” he told the Nine Network.

References
Budget Paper No 1 - Statement 1 – Budget Overview
Treasurer's transcript: Interview with Melissa Clarke, ABC - 12 May 2024
Guardian Australia: Inflation could fall below 3 per cent by end of 2024, budget figures show – not next year as RBA has forecast

Economic growth

The Budget says economic growth is expected to remain subdued over the Budget forecast period. Real GDP is forecast to grow by 2 per cent in 2024–25, and 2¼ per cent in 2025–26

Inflation

Inflation is forecast to fall from 6.0 per cent in 2022-23, to 3 ½ per cent in 2023-24, 2 ¾ per cent in 2024-25 and 2025-26 and 3 ½ per cent the following two years.

The Budget Papers note that “although inflation remains elevated, it has moderated substantially and is now less than half of its peak in 2022. The moderation in inflation has occurred more quickly than forecast at MYEFO, with inflation now expected to be lower in 2023–24.”

It says the cash rate is assumed to gradually ease from around the middle of 2025 to reach 3.6 per cent by the middle of 2026. “The moderation in inflation has occurred more quickly than forecast at MYEFO. Inflation is expected to be 3½ per cent through the year to the June quarter 2024, ¼ of a percentage point lower than previously forecast. This moderation in inflation has been assisted by a continued easing of goods inflation – and the Government’s cost-of-living policies.”

But it warns “a slower recovery in productivity growth could have implications for both inflation and growth. Any further escalation of current geopolitical tensions also present risks to the outlook.”

Employment and unemployment

Labour market conditions are softening and are expected to ease further over 2024–25. The unemployment rate is expected to remain low by historical standards but rise gradually to 4½ per cent by the June quarter 2025.

Wages

Nominal wages are growing at 4.2 per cent, their fastest annual rate in nearly 15 years. This has been driven by recent strength in the labour market and wage case decisions. As labour market conditions ease, annual wage growth is expected to decline to 3¼ per cent in 2024–25 and 2025–26.

Household consumption

Household consumption is expected to remain weak in the first half of 2024 – just ¼ per cent in 2023-24. A recovery in real disposable income growth is then expected to support household consumption, which is forecast to grow by 2 per cent in 2024–25 and 2¾ per cent in 2025–26

Housing investment

New dwelling investment is expected to be negative - -3 per cent in 2023-24 and 0 per cent in 2024-25 before increasing to 6½ per cent in 2025–26.

Business investment

Business investment has withstood the global and domestic pressures and grew strongly at 8.3 per cent in 2022-23. The upswing is expected to continue through to 2025–26 and, if realised, will be the longest sustained increase in business investment since the mining boom. Business investment is expected to remain at high levels – 5 ½ per cent in 2023-24 but ease to 1 per cent in 2024–25 and 2 per cent in 2025–26.

Moderating domestic demand is expected to see investment in machinery and equipment ease. Non-mining investment is expected to be the main driver of growth in business investment over the coming years.

Cost of living

The Budget said the Government's existing Energy Price Relief Plan, Cheaper Child Care and boost to Commonwealth Rent Assistance are directly easing cost-of-living pressures. "These targeted polices are expected to take ¾ of a percentage point off inflation in 2023-24. New policies as part of the 2024–25 Budget will provide further cost-of-living relief for households. The Government's energy bill relief will support all households with their energy bills."

References
Budget Paper No 1 - Statement 1 – Budget Overview
Budget Paper No 1 - Statement 2 – Economic Outlook

Government revenues and tax

Since MYEFO, tax receipts excluding GST and policy decisions have been revised up by $27.0 billion over the five years from 2023–24 to 2027–28, mainly reflecting higher personal income tax and company tax. The upgrades to receipts in this Budget are smaller than recent budget updates, at around a fifth of the average of the previous three Budgets. Higher employment and continuing strength in the labour market is a key driver of upgrades, accounting for $21.6 billion of the net $27.0 billion upgrade to tax receipts since MYEFO. Higher corporate profits make a broadly similar contribution to the upgrade to tax receipts. These have been partly offset by a weaker than expected outlook for tobacco excise and superannuation fund earnings. Policy decisions are expected to increase tax receipts by $4.9 billion over the five years to 2027–28. These include a further crackdown on the 'shadow economy' - $610 million in 2026-27 and 2027-28 and improved tax avoidance measures - $1.17 billion

References
Budget Paper No 1 - Statement 5 – Revenue
Budget Paper No 2 Budget Measures – Part 1 Receipts

Budget savings and reallocation of funds

The Budget Papers, "In this Budget, the Government has identified $27.9 billion in savings and spending reprioritisations to support the Government's commitment to improve the quality of spending and ensure spending is targeted at national priorities. This brings the total savings and spending reprioritisations since PEFO to $77.4 billion.

In a media release on 9 May from Finance Minister Katy Gallagher circulated by email (but not posted to her website) the Minister said, "As part of our responsible approach to budget management, the Budget will include $27.9 billion in savings and reprioritisations to deliver on our commitment to improve the quality of spending and make room for our priorities. This includes:

- $22.5 billion in Defence reprioritisations as part of the $85 billion invested over the next four years in the Defence Integrated Investment Program to accelerate priority capability, reduce over-programming, and deliver an integrated, focused Australian Defence Force. These reprioritisations were announced by the Deputy Prime Minister on 17 April 2024.
- $1 billion in additional savings from reducing spending on external labour, including consultants and contractors, which was announced on 5 May 2024.
- $441 million in savings through additional activities to strengthen the compliance and accuracy of the Child Care Subsidy program, to be reinvested in priorities within the Education portfolio.
- $193 million in internal efficiencies within Services Australia from redirecting resources from back-office functions to support front line service delivery and from reduced onboarding costs associated with lower staff turn-over resulting from the Government's decision to hire ongoing public servants to establish a dependable well-trained and efficient workforce. These are being reinvested in Services Australia to improve service delivery.
- $3.8 billion in additional savings and reprioritisations across all 15 portfolios, with details to be included in the Budget papers on 14 May."

She said this brings the total amount of savings and reprioritisations delivered since the election to $77.4 billion. "The Budget will include $15.4 billion in unavoidable spending to extend terminating programs, address unfunded pressures and continue to clean up the mess inherited from the former Government."

References
Budget Paper No 1 - Statement 1 – Budget Overview
Email release from Finance Minister Katy Gallagher 9 May 2024

Total Budget spending

The Government's general government sector expenses are expected to increase from $691.1 billion in 2023–24 to $829.8 billion in 2027–28, with expenses as a percentage of GDP marginally decreasing over the period 2024–25 to 2027–28. Average annual real growth in expenses over the period 2024–25 to 2027–28 is expected to be 2.0 per cent.

As a percentage of GDP, total expenses are expected to be 26.6 per cent in 2024–25 and are projected to marginally decrease over the period 2024–25 to 2027–28.

Policy decisions in the 2024–25 Budget, are estimated to increase expenses by $24.8 billion over the four years from 2023–24 to 2026–27 compared with the 2023–24 MYEFO. The Budget Papers say, "The majority of net policy decisions relate to unavoidable spending pressures, with the Budget also investing in a wide range of programs, particularly measures to ease cost-of-living pressures, build more homes for Australians, create a Future Made in Australia, strengthen Medicare and the care economy, and broaden opportunity and advance equality."

References
Budget Paper No 1 - Statement 6 – Expenses and Net Capital Investment

Budget Strategy

The Budget's Fiscal Strategy and Outlook in Budget Paper No 1 sets out the Government's broad Budget strategy.

It is required by the Charter of Budget Honesty Act introduced in 1998 by Peter Costello, the treasurer in the Howard Government and was recommended by the National Commission of Audit which the Howard Government established when elected.

Every few years, treasurers change the strategy. Ahead of the Budget Treasurer Jim Chalmers said he would change it in this budget to emphasise the fight against inflation in the short term and to more greatly emphasise the need to support economic growth in the longer term.

This year's strategy said, "This Government is continuing to support monetary policy, keeping pressure off inflation by targeting a second surplus and returning over 96 per cent of tax upgrades to the budget in 2023–24. Since the PEFO, 82 per cent of tax upgrades have been returned to the budget over the forward estimates period."

References
Budget Paper No 1 Statement 3 – Fiscal Strategy and Outlook
The Conversation - Peter Martin: Beyond the spin, beyond the handouts, here's how to get a handle on what's really happening on budget night

Decisions taken but not yet announced

This year's Budget contains an additional $1.125 billion in spending in 2024-25 and $3.223 billion in 2025-26 under the heading "Decisions taken but not yet announced".

The category, spread between several tables buried in the Budget papers, are funds the Government has provisioned for future political announcements. With the next election due by 17 May 2025 at the latest - but possible from 3 August 2024 – there may be a further Budget before the election. The funds under "Decisions taken but not yet announced" are effectively its election kitty.

Decisions taken but not yet announced also includes an additional $955 million in revenue in 2024-25 and $960 million in 2025-26.

DTBNYA includes new policies not yet announced as well as policies that have been announced but whose costs cannot be published for reasons such as ‘commercial in confidence.

The 2023-24 Budget included $378 million in 2023-24 and $465 million in 2024-25 in receipts from decisions taken and not yet announced. It included spending of $3.172 billion and $1.827 billion from decisions taken but not yet announced.

References
Budget Paper No 2 Budget Measures – Part 1 Receipts
Budget Paper No 2 Budget Measures – Part 2 Payments

Structural deficit

The structural budget balance estimates the Budget balance after stripping out the cyclical impact on the surplus or deficit of cyclical factors such as changes in commodity prices changes in economic growth. It is an estimate but can provide insight into the sustainability of fiscal settings.

The structural balance is an estimate.

In this year’s Budget the estimated structural budget balance has been revised up in 2023–24 but is lower in most years over the forward estimates period compared to MYEFO. Over the medium term, the structural budget balance is projected to improve gradually towards balance.

References
Budget Paper No 1 Statement 3 – Fiscal Strategy and Outlook

Policy Decisions

Stage 3 tax cuts

The Government's changes to the Stage 3 tax cuts are a key element of the Budget.

Prime Minister Anthony Albanese announced in late January ahead of the Dunkley by-election that the Government planned to change the Morrison Government's Stage 3 tax cuts, which it had previously supported, to skew cuts in favour of low and middle-income earners.

The changes were passed by the House of Reprfesentatives and by the Senate unamended on 27 February. The changes are included for the first time in the 2024-25 Budget.

They broaden the benefit of the original tax cuts, halving the tax break for wealthier taxpayers and increasing the benefit for those on lower incomes. The original stage three tax cuts sought to 'flatten' the tax system by abolishing a tax bracket and address bracket creep by pushing out the top tax bracket. The revised changes retain the tax bracket that would have been abolished but adjust tax rates to benefit both lower and higher-income earners. The Coalition supported the changes despite arguing that higher-income earners had been "betrayed". The changes take effect from July 1, with the Tax Office simply taking less tax from pay packets.

The Prime Minister defended the change in Labor's support for the original tax package arguing, "When economic circumstances change, you have to change your economic policy". He argued that revising the plan to provide bigger tax cuts to low and middle-income earners struggling with the cost of living justified breaking an election promise. The Opposition said the changes would make bracket creep worse in the long term, because they will increase tax revenue by $28 billion over 10 years, compared to the original Stage 3 tax cuts. While the Coalition supported the changes through the parliament on the grounds it would not 'stand in the way' of tax cuts for Australians, it flagged it would put forward a new tax policy before next year's election.

The Grattan Institute's analysis showed that low and middle-income earners win, high-income earners lose. The changes cut the bottom tax rate which applies to incomes below $45,000, from 19 per cent to 16 per cent. That will give a tax cut of up to $804 a year to all tax-filers, including those on higher incomes. At the same time Stage 3 tax cuts for higher earners are reduced. Under the original plan a single 30 per cent rate was to apply to incomes between $45,000 and $200,000. Instead, this rate will apply to incomes between $45,000 and $135,000. The existing 37 per cent rate, which was to be abolished, is now retained, and applies to incomes between $135,000 and $190,000. And the top rate of 45 per cent will remain for incomes above $190,000, rather than the $200,000 level originally envisaged.

The result is that people with taxable incomes of less than about $146,486, or nearly 90 per cent of all tax-filers, will get either the same or a larger tax cut, whereas the 10 per cent with higher incomes will get smaller tax cuts than under the original Stage 3. The tax cut for people who earn more than $200,000 a year – expected to be less than 5 per cent of tax-filers in 2024-25 – will be roughly halved, from $9,075 to $4,529 a year.

The Grattan Institute said "the biggest loser from the revised tax plan may end up being the federal budget. The Government's tax plan, like the original Stage 3 tax cuts, will cost more than $20 billion a year, or nearly 1 per cent of GDP. And that budgetary cost would be larger still if a future Coalition government kept the Stage 3 benefits for high-income earners and kept the bigger tax cuts for low- and middle-income earners under the Labor plan. That would increase the cost from more than $20 billion a year to upwards of $30 billion a year, and by up to an extra $115 billion over the decade in the long term."

In the 'Budget Overview' paper, 'Cost of living help and a future made in Australia', published with the Budget the Government says, "The Government's tax cuts return bracket creep and lower average tax rates for all taxpayers. The changes provide taxpayers with greater protection against bracket creep, particularly low- to middle-income taxpayers, and support the progressivity of the tax system.

References
Prime Minister's media release: Tax cuts to help Australians with the cost of living - 25 January 2024
Prime Minister's media release: Albanese Government's cost-of-living tax cuts to roll out from July 1 - 27 February 2024
Budget Overview paper: Cost of living help and a future made in Australia
Grattan Institute: Albanese's tax-cut plan: who wins and who loses, now and in the future?
ABC: Government's overhaul of stage 3 tax cuts pass Senate

Cost of living

The Budget's key new cost-of-living measure is a new energy bill relief payment, extending existing energy relief measures.

From 1 July 2024, the Budget provides rebates of $300 to every household and $325 to around one million small businesses. The Budget Papers say this "is expected to directly reduce headline inflation by around ½ a percentage point in 2024–25 and is not expected to add to broader inflationary pressures."

The measure is forecast to cost the Budget $2.617 billion in 2024-25 and $872 million in 2025-26.

There is also relief for renters by increasing maximum rates of Commonwealth Rent Assistance by an additional 10 per cent, at a cost of $1.9 billion over five years from 2023–24. This increase will support nearly one million households.

The Budget also continues the freeze on social security deeming rates at their current levels for a further 12 months until 30 June 2025. This will benefit around 876,000 income support recipients, including around 450,000 Age Pensioners.

In his Budget speech Treasurer Jim Chalmers said the Budget's cost of living measures:

- "Delivers a tax cut for every taxpayer.
- Provides new power bill relief for people and small businesses.
- Freezes the cost of medicines.
- Makes student loans fairer.
- Boosts competition in our economy so families and farmers get a fairer go.
- And supports renters."

References
Budget Paper No 1 - Statement 1 – Budget Overview – Easing cost-of-living pressures
Budget Paper No 2 – Budget Measures - Energy Bill Relief Fund – extension and expansion
Budget Speech

Education

Higher Education Contributions

Ahead of the Budget the Government announced changes to higher education funding affecting student debts of more than three million people, wiping more than $3 billion from their accumulated debt.

The Government will reduce the indexation of accumulated student contribution debt and will backdate the new system to 2023. The Government estimates about $3 billion in indexation debt will be cancelled, helping about 3 million Australians.

The change will cap the HELP indexation rate to be the lower of either the Consumer Price Index (CPI) or the Wages Price Index (WPI), backdated to June 1 last year. At present the indexation is based on the CPI. The new indexation arrangement will be backdated to all HELP, VET Student Loan, Australian Apprenticeship Support and other student support loan accounts.

The government's recent Universities Accord report argued for reform of the student debt arrangements, and recommended rejigging indexation, although it did not go as far as backdating. People with higher education debts were hit hard by high inflation, with a jump in last year's CPI indexation rate of 7.1 per cent. The 2023 indexation rate based on the Wage Price Index would have been 3.2 per cent. Someone with an average HELP debt of $26,5000 will have about $1,200 wiped from their outstanding HELP loans this year. Some 525,302 Australians owe between $20,000 and $30,000.

The change requires legislation.

Student 'Prac Payments'

Ahead of the Budget the Government announced A new 'Commonwealth Prac Payment' which will provide a student payment of $319.50 a week for higher education student while on clinical and professional placements.

The payment will be means tested and start from July 1 2025, which will be after the next election. Those eligible will include people studying teaching, nursing, midwifery and social work. No cost for the measure was announced available – the government said that would be in the Budget. It is to help students who often have to give up work to undertake their placements and so are left out of pocket. The government's Universities Accord report recommended the issue should be addressed, as did the Women's Economic Equality Taskforce.

The government said the new Prac Payment will assist about 68,000 eligible higher education students and more than 5,000 VET students each year. The payment is benchmarked to the single Austudy rate. It will be in addition to other income support a student might receive. Education Minister Jason Clare said, "Placement poverty is a real thing. I have met students who told me they can afford to go to uni, but they can't afford to do the prac."

References

Budget Paper No 1 - Statement 1 – Budget Overview – Supporting students
Prime Minister's Joint Press Conference - 6 May 2024
Education Minister's Press Conference - 5 May 2024
Education Minister's media release: Cutting student debt for more than three million Australians - 5 May 2024
Department of Education media release: New Commonwealth Prac Payment (CPP)
Education Minister's joint media release: Cost-of-living support for teaching, nursing and social work students - 6 May 2024

Future Made in Australia

The Budget provides some more detail – though many will believe it remains vague – of the Government's 'Future Made in Australia' plan.

Treasurer's Budget Speech said, "Our $22.7 billion Future Made in Australia package will help make us an indispensable part of the global economy." It will attract investment in key industries. The Government will "establish a domestic National Interest Account, that adds discipline to investments in the national interest."

The Budget Papers develop this further: "The mandate of Export Finance Australia's National Interest Account will be expanded to provide financial support for projects where public investment can strengthen the alignment of economic incentives with Australia's national interests and incentivise private investment at scale in the development of priority industries."

The subsidy for the National Interest Account will cost the Budget $911 million in 2024-25, the Budget Papers say, and $2.658 billion over the forward estimates.

Under the 'Future Made in Australia the Government will also:

- establish a new front door for investors with "major, transformational investment proposals to make it simpler to invest in Australia and attract more global and domestic capital".
- Provide $15.7 million to deliver a stronger, more streamlined and more transparent approach to foreign investment.
- Commit $27.7 million to help Australians benefit from cheaper, cleaner energy sooner by supporting development of priority reforms to ensure consumer energy resources, such as rooftop solar, household batteries and electric vehicles.
- Accelerate the growth of new industries by providing a $1.5 billion extension over seven years to the Australian Renewable Energy Agency's industry-building investments and establishing the $1.7 billion Future Made in Australia Innovation Fund.

Prime Minister Anthony Albanese unveiled the Government's 'Future Made in Australia' plan in a major speech ahead of the Budget, in Brisbane on 11 April. The plan foreshadows a more interventionist industry policy, but so far details of what the Government plans under the policy have been sketchy.

In Nine newspapers ahead of the Budget economics editor Ross Gittins wrote, "What exactly is a Future Made in Australia? You can read the long speech Anthony Albanese made about it and still not be sure. My guess is it's a slogan designed by spin doctors to mean whatever you'd like it to mean. .... what I hope it means is that the government intends to secure our economic future by ensuring all the income we're going to lose from the world's decision to stop buying our exports of fossil fuels is replaced by us using our new-found comparative advantage of being able to produce renewable energy more cheaply than most other countries."

To anchor the government's reform program it will introduce a "Future Made in Australia Act".

In *The Conversation* Michelle Grattan wrote, "Although detail is thin, the Act would provide an overarching framework to coordinate government support for industries."

In the speech the Prime Minister said, "This is not old-fashioned protectionism or isolationism – it is the new competition." He pointed to the US Inflation Reduction Act which will direct nearly US$400 billion (A$605 billion) in federal funding to support clean energy and the US CHIPS Act which will direct $280 billion (A$422 billion) in new funding to boost research and manufacturing of semiconductors.

In a media release he said, “An Albanese Labor Government will provide up to $15 billion of capital to invest in job-creating projects through loans, equity and guarantees in resources, agriculture, transport, medical science, defence capability, enabling capabilities and renewables and low emissions technologies.”

The scheme has divided economists. The Government’s Productivity Commissioner Danielle Wood voiced concerns, despite a concerted effort by the Prime Minister and Treasurer to win this debate. They have argued "the world has changed" and "substantial" government investments are needed to drive chosen industries forward in the net-zero future. "I think we need to be very cautious about stepping into this space," Ms Wood told the ABC’s Insiders On Background podcast. She isn't completely closed to the idea of some greater government intervention if there's a clearly defined security or economic reason and taxpayers know what they're getting into. "There may be these policy rationales, but we need to be super clear that this comes with costs." The problem for the government is the areas it's already identified aren't areas the productivity commissioner thinks are winners.

The Future Made in Australia plan will include previously announced subsidy schemes, including the $1 billion "Solar Sunshot" program, unveiled by the prime minister last month to "help ensure more solar panels are made in Australia". The Federal Government will also provide $470 million for PsiQuantum, a quantum computer startup in Brisbane, with matching funds from the Queensland Government and $1.5 billion from the National Reconstruction Fund to increase Australia’s medical manufacturing capabilities. Longer term, the government is also investing $12.6 billion in research and development programs at institutions such as the CSIRO, under the plan.

References
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Prime Minister's media release: Generational investment in Australia's resources to deliver a Future Made in Australia - 8 May 2024
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Future Made in Australia website
Industry Minister's joint media release: Delivering a Future Made in Australia with 400 new technology jobs in Brisbane - 30 April 2024
Industry Minister's joint media release: New plan to boost medical science manufacturing - 15 April 2024
Industry Minister's joint media release: Solar Sunshot for our regions - 28 March 2024
The Conversation - Michelle Grattan: Anthony Albanese puts interventionist industry policy at the centre of his budget agenda
Nine newspapers: Opinion - Ross Gittins: Is a Future Made in Australia a good idea or a bad one? Maybe a bit of both
ABC: David Speers: The government's plan for a future 'made in Australia' has failed to win over the productivity commissioner — and that's a problem

Housing

In his Budget Speech the Treasurer said, “We are providing $1.9 billion to increase the maximum rates of Commonwealth Rent Assistance by a further 10 per cent.” This is in addition to a 15 per cent increase in the previous Budget.

The Budget includes another $1 billion to help states and territories build more housing sooner, an additional $1.9 billion in loans to help build 40,000 social and affordable homes, and $1 billion towards accommodation for women and children fleeing domestic violence.

Ahead of the Budget a special National Cabinet meeting agreed on $12.3 billion in new housing programs intended to ease fears of housing shortages. The package included new support for women and children who need shelter after fleeing domestic violence.

Prime Minister Anthony Albanese struck a deal with state and territory leaders last Friday to inject more cash into construction, including a five-year agreement on social housing that will repair homes and expand crisis support.

A key element of the deal is a $1 billion payment to the states and territories to build roads and other infrastructure needed to support new housing developments, answering calls for more facilities for homes in the suburbs.

The $12.3 billion will be spent over five years and includes $1 billion for emergency accommodation for women and children, the $1 billion to the states and territories for roads and other facilities, and a new $9.3 billion national agreement on social housing.

The new spending follows a National Cabinet agreement last August that set a target to build 1.2 million homes over the next five years, with the promise of $3 billion in federal incentives for states and territories that helped meet the goal.

The Federal Government also agreed last August to pay $500 million for essential services such as basic amenities in new housing projects in a competitive fund that aims to encourage states and territories to quicken the pace of building approvals and housing construction. An earlier plan, called the Social Housing Accelerator, was unveiled last June to give the states and territories $2 billion for public housing projects. The government also set up a $10 billion Housing Australia Future Fund last year after a dispute with the Greens, who wanted much bigger spending on public housing to ease the pressure on rents.

The Government's goal of getting 1.2 million well-located homes built in five years starts on July 1, but experts have warned they are yet to see a meaningful increase in building approvals to start moving toward that target. CoreLogic research director Tim Lawless said 12,850 homes were approved for construction in January, about 25 per cent below the decade average. He said this was "well below" the 20,000 average monthly run rate of approvals required to build 1.2 million homes in five years.

The post- National Cabinet statement was short on detail, with no indication on the timing through the forward estimates of the various funding allocations. Nor did it say whether any part of the money had been repurposed. The government also said it will work with the higher education sector on regulations requiring universities to boost their supply of student housing for local and foreign students. It said the new budget money will build on the more than $25 billion in new housing funding it has committed to in various programs over the next decade.

References
Budget Paper No 1 - Statement 1 – Budget Overview – Building more homes for Australians
Budget Speech
Treasurer's joint media release: Multi-billion-dollar investment to build more homes for Australians - 11 May 2024
Nine newspapers: Labor adds billions to state deals on housing

Violence against women

Ahead of the Budget and following a special National Cabinet meeting to consider measures to counter violence against women, Prime Minister Anthony Albanese announced the federal government would invest $925 million over five years to permanently establish the Leaving Violence Program, which gives women $5000 in financial support.

However the $925 million does not start until the middle of next year. This program replaces and rebrands a trial policy set up under former prime minister Scott Morrison in October 2021 and called the Escaping Violence Payment. As with the trial, the new scheme offers $1500 in cash and $3500 in goods and services.

The Government said in a statement, “This commitment builds on a record $2.3 billion in measures put in place by the Albanese Government to help address violence against women. The Leaving Violence Program is a key initiative in the upcoming May Budget to help support the aims of the National Plan to End Violence against Women and Children 2022-32 to end violence in one generation. The program will contribute to improved safety, economic security, and independence for victim-survivors.”

The funding is part of the Albanese government's National Plan to End Violence against Women and Children, agreed by federal, state and territory leaders in October 2022. The plan is not a list of specific actions, but a broad vision document, which is meant to structure and guide the actions of governments and community organisations. Its timeline is a decade and its overarching aim is to "end" gendered violence "within a generation".

The Budget Papers also said the Escaping Violence Payment trial and Temporary Visa Holders Experiencing Violence Pilot will be extended until 30 June 2025. The Leaving Violence Program will commence from mid-2025 following the procurement of an appropriate service provider. The Budget provides $1.3 million to establish an expert panel to undertake a rapid review and advise Government on approaches to prevention and ending the cycle of violence, and $4.3 million in 2024–25 to commission Australia’s National Research Organisation for Women’s Safety to expand perpetrator research.

References
Prime Minister's joint media release: Helping women leave a violent partner payment - 1 May 2024
Budget Paper No 1 - Statement 1 – Budget Overview – Progressing equality, supporting women

Migration

The Budget says the Government will set the 2024–25 permanent Migration Program planning level at 185,000 places and allocate 132,200 places (around 70 per cent) to the Skill stream. From 2025–26, the Government will extend the planning horizon for the permanent Migration Program from one year to four years.”

Ahead of the Budget media reports said new budget forecasts were expected to show the net migration intake will fall from 518,000 last year to about 260,000 next year, a key issue amid a political argument about the number of arrivals since border controls eased after the COVID pandemic.

The reduction includes a cap on overseas students after the government claimed early success in cutting offshore student visas to 14,000 in April, in line with the rate before the pandemic and sharply down from 22,000 in the same month last year.

The budget forecast a cut to net overseas migration from 528,000 last year to 395,000 this year and 260,000 next year, in an ambitious plan to halve the intake. The goal beyond those years is to return the intake to around 235,000 each year, in line with the trend before the pandemic.

International students are expected to make up 50 per cent of the net overseas migration, the biggest single group, while permanent migrants make up 25 per cent, temporary skilled workers make up 5 per cent and working holiday makers account for 15 per cent.

The government intends to amend the Education Services for Overseas Students Act to give the education minister the power to set limits on enrolments at each education provider, including within specific courses or locations, an extraordinary power that ends decades of uncapped growth.

The plan will require universities and other education providers to slash the growth in overseas student numbers from the 15 per cent increase they recorded last year, with the Government aiming to drive the number toward 5 per cent.

The move triggered an urgent meeting on Monday ahead of the Budget, of Education Minister Jason Clare, Home Affairs Minister Clare O'Neil, Skills Minister Brendan O'Connor and Immigration Minister Andrew Giles with the Council for International Education.

References
Budget Paper No 2 – Budget Measures - Permanent Migration Program – 2024–25 planning levels and multi-year planning
Education Minister's joint media release: Next steps in ensuring the integrity and sustainability of the international education sector - 11 May 2024
Nine newspapers: Inside Labor's drastic cap on overseas students – and the urgent meeting it's triggered

Defence

The Budget Papers say, "As part of the 2024 National Defence Strategy, the Government is investing $330 billion over the next decade to deliver a rebuilt Integrated Investment Program (IIP) to support the required shift in Defence's posture and structure, and deliver critical capabilities for the Australian Defence Force (ADF). This includes an additional $50.3 billion over the decade to uplift the ADF's preparedness including through long-range strike capability and accelerating the modernisation of the Royal Australian Navy's surface combatant fleet. The Government's significant investment in a rebuilt IIP involves reprioritisation of $22.5 billion over the next four years and $72.8 billion across the decade to support accelerated delivery of critical capabilities for the ADF."

In April Defence Minister Richard Marles unveiled Australia's new national defence strategy following a year-long review of the country's strategic military position. He announced that to build up Australia's capabilities to deal with modern threats, the government will put an extra $5.7 billion into the military over the next four years and $50 billion over the next decade.

The funding includes $38.2 billion over the next decade to fund and rebuild the Integrated Investment Program. All up the government has allocated $330 billion to the program through to 2033-34.

The program will fund defence investments including a $500 million contract with Lockheed Martin Australia for next-generation air missile defences, a $139.5 million contract with Boeing Defence Australia to upgrade the Poseidon's aircraft's software, and a $30 million contract with Queensland-based Craig International Ballistics for body armour.

References
Budget Paper No 1 - Statement 1 – Budget Overview – Strengthening our defence industry capability
Defence Minister's joint media release: 2024 Integrated Investment Program - 17 April 2024
Defence Minister's media release: Launch of the National Defence Strategy and Integrated Investment Program - 17 June 2024

Health

The Budget includes the $1.2 billion package agreed to by National Cabinet in December 2023 to take pressure off hospitals. It also includes funding for an additional 29 urgent care clinics as part of an $8.5 billion federal government investment in health.

Ahead of the Budget Health Minister Mark Butler said the 58 existing urgent care clinics were already making a difference for patients needing walk-in medical treatment while taking pressure off busy hospital emergency departments. He said the $227 million investment in a further 29 clinics would provide more care in more locations. The government is also providing further funding for clinics in regional, rural and remote locations.

Urgent care clinics, first announced as part of Labor's election campaign in 2022, are designed to take on lower-urgency patients, and operate over extended weekday hours and weekends to ease pressure on the country's hospital system.

The new $8.5 billion in health spending over the next four years also includes $49.1 million to increase the Medicare rebate for long gynaecology appointments for women, which will provide access to 45-minute consultations under the Medicare Benefits Schedule from July 1. The spend also covers additional Pharmaceutical Benefits Scheme listings for new treatments.

A major chunk of the $8.5 billion will go towards the national pharmacy agreement, after the federal government agreed to provide an extra $3 billion in additional funding to cover pharmacy business losses from Labor's 60-day medical script plan. The federal government had initially promised to reinvest $1.2 billion saved under the scheme back into pharmacies, but the powerful Pharmacy Guild of Australia spent nearly a year vehemently protesting against the original plan.

References
Budget Paper No 1 - Statement 1 – Budget Overview – Strengthening Medicare and the care economy
Minister for Health media release: Strengthening Medicare: more Urgent Care Clinics- 13 May 2024.
Nine newspapers: More free urgent care clinics part of $8.5 billion health commitment

Aged care

The Budget includes new spending of $2.2 billion in aged care to implement more of the Aged Care Royal Commission's recommendations. It includes $1.2 billion to improve aged care systems, $531 million for another 24,000 home care packages, and to fund a further increase in award wages for our aged care workers, building on the $11.3 billion we funded last year.

In its mid-year update, aged care spending was revised up by $4.8 billion to $36.2 billion.

The government is sitting on a series of contentious recommendations around aged care. The responsible minister, Anika Wells, has argued there's strong case to increase the co-contributions of wealthy retirees towards their care.

References
Budget Paper No 1 - Statement 1 – Budget Overview –Improving the aged care system
Budget Paper No 2 – Budget measures - Improving Aged Care Support
Nine newspapers: The five key pressures on the budget – and how they've blown out over time

Superannuation

The Budget includes $1.1 billion to pay superannuation on Government-funded Parental Leave.

The 2023-24 Budget maintained the Super Guarantee's legislated increase to 12 per cent. From 1 July 2024, the Super Guarantee will increase to 11.5 per cent. It will continue to increase by 0.5 per cent on 1 July each year until it reaches 12 per cent in 2025.

The 2023-24 Budget also required superannuation to be paid with salary and wages to tackle unpaid super. From 1 July 2026, employers will be required to pay their employees' super at the same time as their salary and wages. This is designed to address an estimated $5 billion a year in unpaid super by making it easier for workers to keep track of payments and for the Australian Taxation Office (ATO) to monitor compliance. It will also reduce the risk of businesses building up large super contribution liabilities at the end of each quarter. This will also lead to higher returns for more than 4 million Australians currently receiving their super quarterly, with super savings compounding faster.

References
Budget Paper No 1 - Statement 1 – Budget Overview – Taking pressure off parents and carers
Australian Super: Federal Budget 2023-24

NDIS

The Budget includes providing $469 million to keep working with the disability community and the states and territories, and to crack down on fraud and exploitation of the NDIS. The Budget forecasts that payments related to the NDIS will increase by $1.3 billion in 2023–24 and $15.9 billion over five years from 2023–24 to 2027–28.

Ahead of the Budget spending on the NDIS had been predicted in early 2022 to hit $42.9 billion. Ahead of this year's Budget, that forecast had been pushed up to $47.3 billion, an increase of more than 10 per cent. Dr Chalmers has signalled there will be "movement" in NDIS spending, reflecting the efforts the responsible minister, Bill Shorten, has gone to over the past two years. "Our highest priority in the NDIS is making sure we're providing the services that people need and deserve and keeping faith with the design of the system.

References
Budget Paper No 1 - Statement 3 – Fiscal Strategy and Outlook - Payment parameter and other variations over the forward estimates
Nine newspapers: The five key pressures on the budget – and how they've blown out over time