

BUDGET 2023-24
SNAPSHOT
REIA Analysis

10 MAY 2023



Contents

Part One: The Economic Outlook and State of the Books..... 1

Part Two: Cross Portfolio Housing Measures 2

Part Three: Broader Measures and Savings 5

Part One: The Economic Outlook and State of the Books

Summary Highlights:

1. The Australian economy is expected to outperform all major advanced economies.
2. The Budget will return \$4.2 billion surplus for the 2022-23 year.
3. Real GDP growth will slow to 1½ per cent in 2023–24 and increase 2¼ per cent in 2024–25.
4. Inflation is anticipated to peak and return to the RBAs target band by 2024-25.

Economic Outlook

The 2023-24 October Budget (Budget 22-23) was handed down at 7.30pm on Tuesday 9 May 2023.

Real GDP growth is expected to slow to 1½ per cent in 2023–24, expand by 2¼ per cent in 2024–25 and increase to 2¾ per cent by 2025–26.

Inflation is expected to return to RBA targets by 2024-25.

The underlying cash balance is estimated to be a surplus of \$4.2 billion for 2022-23 and return to a deficit of \$13.9 billion by 2022-24.

2022-23 expenses are \$650 billion and the revenue float to be \$625 billion.

By the numbers

		Actual		Estimates				
		2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	Total ^(a)
		\$b	\$b	\$b	\$b	\$b	\$b	\$b
Underlying cash balance	\$b	-32.0	4.2	-13.9	-35.1	-36.6	-28.5	-109.9
	% of GDP	-1.4	0.2	-0.5	-1.3	-1.3	-1.0	
Gross debt	% of GDP	38.8	34.9	35.8	36.3	36.5	36.5	
Net debt	% of GDP	22.3	21.6	22.3	23.5	24.0	24.1	

(a) Total is equal to the sum of amounts from 2022-23 to 2026-27.

Table 1.1: Major economic parameters ^(a)

	Outcome		Forecasts			
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Real GDP	3.7	3 1/4	1 1/2	2 1/4	2 3/4	2 3/4
Employment	3.6	2 1/2	1	1	1 3/4	1 3/4
Unemployment rate	3.8	3 1/2	4 1/4	4 1/2	4 1/2	4 1/4
Consumer price index	6.1	6	3 1/4	2 3/4	2 1/2	2 1/2
Wage price index	2.6	3 3/4	4	3 1/4	3 1/4	3 1/2
Nominal GDP	11.0	10 1/4	1 1/4	2 1/2	5 1/4	5 1/4

Source: Commonwealth Treasury

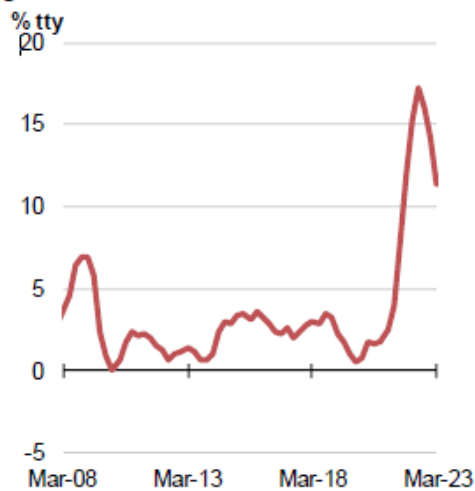
Housing outlook

Housing activity is expected to contract by 3 ½ per cent in 2023-34 and decline an additional 1 ½ per cent in 2024-25.

Budget Paper 1 is relatively optimistic about the outlook for dwelling activity noting that pressures relating to the 'weak financial position' of the building sector, overall availability of builders and financing pressures are 'expected to moderate.'

Strong rental yields, increase in migration and reducing construction costs are all thought to be near term positives.

Chart 2.16: House building input price growth



Source: ABS Producer Price Indexes.

Source: Commonwealth Treasury

For more information

Further information on these measures can be found at:

- [Budget 2022-2023 Papers](#)

Part Two: Cross Portfolio Housing Measures

Introduction

The centerpiece housing measure was an increase to Commonwealth Rent Assistance (CRA) costing \$2.7 billion over 5 years which is a 15% increase to CRA. This was a central recommendation in REIA's Budget 2023-24 Submission.

A suited of existing housing measures were renounced and a range of peripheral housing announcements were made across portfolios focusing on:

- Defense housing
- Sustainable real estate
- An early warning sign for compliance around short stay rentals

Key measures are outlined in the table below.

Portfolio: Climate Change, Energy, the Environment and Water		
Household Energy Upgrades Fund	<p>\$1.3 billion partnership with Clean Energy Finance Corporation and lenders to issue 110,000 low interest loans for energy saving upgrades for homeowners and investors.</p> <p>This includes a reserved \$300 million to work with States and Territories to implement energy performance upgrades on social and affordable housing.</p>	[new but expected]
Better information on energy saving opportunities	<p>\$36.7 million over 4 years from 2023–24 (and \$2.1 million per year ongoing) to develop further initiatives to improve energy performance, including expanding and modernising the Greenhouse and Energy Minimum Standards program and the Nationwide House Energy Rating Scheme (NHERS).</p> <p>This includes a stated intent for NHERS to expand to existing homes. States and Territories have carriage of whether this is implemented on a mandatory or voluntary basis.</p>	[new but predicted]
Portfolio: Social Services		
Commonwealth Rent Assistance increased	<p>CRA to increase by 15 per cent at a cost of \$2.7 billion over 5 years, the largest increase to Commonwealth Rent Assistance in over 3 decades. Anticipated to support 1.1 million renters.</p>	[new but expected]
Portfolio: Treasury		
Increased compliance measures – short stay accommodation	<p>\$89.6 million in additional funding will be provided to the ATO and \$1.2 million to Treasury to extend the Personal Income Tax Compliance Program for two years from 1 July 2025 and expand its scope from 1 July 2023.</p> <p>Budget Paper 2 indicates this will focus on key areas of non-compliance such as deductions relating to short-term rental properties <i>to ensure they are genuinely available to rent.</i></p> <p>This measure is estimated to increase receipts by \$474.9 million over the 5 years from 2022–23.</p>	[new]
Home Guarantee Scheme (HGS) Expanded Rules	<p>Rule changes to the HGS to allow more co-purchases and eligibility. This includes parents, friends, siblings, Permanent Residents and Australians out of home ownership over the past 10 years.</p>	[New but widely previewed]

Changes to tax rules for Build-to-Rent investors	This pre-announced taxation change will: <ul style="list-style-type: none"> • Reduce the withholding tax rate for eligible fund payments from managed investment trusts attributed to newly constructed build-to-rent developments from 30 to 15 per cent • Increase the capital works tax deduction (depreciation) rate from 2.5 per cent to 4 per cent per year, increasing the after tax returns for newly constructed build-to-rent developments 	[New but widely previewed]
The National Housing Accord	Restatement of existing Housing Accord commitments.	[Existing]
NHFIC Liability Cap	the National Housing Finance and Investment Corporation's liability cap by \$2 billion to a total of \$7.5 billion	[New but widely previewed]
Portfolio: Defense		
Feasibility Housing Feasibility Review	\$2 million for a Defence Housing Feasibility Review aimed at reducing the housing burden on ADF personnel, encouraging home ownership, and ensuring Defence housing meets future needs.	[TBA]

REIA Explainer: Commonwealth Rent Assistance

Table 5: Commonwealth rent assistance as a proportion of weekly rent									
	Sydney	Melbourne	Brisbane	Adelaide	Perth	Canberra	Hobart	Darwin	Cap Cit
2002	22.1%	24.2%	25.3%	28.7%	30.9%	21.3%	30.4%	22.1%	24.4%
2007	21.1%	23.7%	20.4%	23.7%	19.7%	16.9%	21.9%	15.0%	21.4%
2012	14.6%	18.0%	17.5%	19.1%	15.3%	13.3%	18.5%	10.9%	16.2%
2017	15.5%	20.4%	20.4%	22.8%	23.2%	16.5%	21.6%	16.0%	18.8%
2022	14.4%	19.9%	17.9%	19.1%	18.6%	13.2%	16.2%	15.1%	16.9%

For more information

Further information on these measures can be found at:

- [Minister's Collin's Media Release](#)

Part Three: Broader Measures and Savings

Introduction

There was a broad range of new measures and savings identified in Budget 23-23. Detailed analysis will follow on this in the coming days from the REIA Secretariat.

New measures

Key new measures identified importance to Australian real estate agents and agencies can be summarized as:

Commercial real estate	<p>Promoting energy efficient commercial buildings</p> <ul style="list-style-type: none">• The Government is committed to supporting investment in energy efficient commercial buildings. From 1 July 2025, the Government will extend the clean building managed investment trust withholding tax concession to eligible data centres and warehouses where construction commenced after Budget night. Buildings will also need to satisfy higher energy efficiency standards to qualify for the concession.
Skills & Training	<ul style="list-style-type: none">• An additional \$400 million for TAFE places as part of the broader National Skills Package
Small business	<p>Small Business Energy Incentive</p> <ul style="list-style-type: none">• Businesses with annual turnover of less than \$50 million will have access to a bonus 20 per cent tax deduction for eligible assets supporting electrification and more efficient use of energy, from 1 July 2023 until 30 June 2024. Up to \$100,000 of total expenditure will be eligible for the incentive, with the maximum bonus tax deduction being \$20,000 per business.
	<p>Small business instant asset write-off</p> <ul style="list-style-type: none">• The Government is making it easier for small businesses to invest and grow by providing \$290 million in cash flow support through the \$20,000 instant asset write-off. Businesses with a turnover of less than \$10 million can access this from 1 July 2023 – 1 July 2024.
	<p>Improving small business cash flow</p> <ul style="list-style-type: none">• 2.1 million eligible small businesses with cashflow relief by halving the increase in their quarterly tax instalments for GST and income tax in 2023–24. Instalments will only increase by 6 per cent instead of 12 per cent, which better reflects the economic conditions currently faced by the sector. It strikes a balance between improving cashflow for small businesses and managing income tax and GST liabilities.

	<p>Cyber security</p> <ul style="list-style-type: none">• \$23.4 million to help small businesses training 50,000 cyber wardens to build their resilience to cyber security attacks by training in-house cyber wardens. Small businesses have rapidly digitalised in the past few years, bringing new opportunities but also increasing their vulnerability to cyber-attacks. A cybercrime attack on a small business can cause significant financial and reputational damage, putting at risk the viability of the business and the jobs it provides in the community. This measure will help mitigate and reduce the harms associated with cyber-attacks on small business. The small business Cyber Wardens program will be delivered by the Council of Small Business Organisations Australia.
--	--

For more information

Further information on these measures and savings can be found at:

- Budget.gov.au

REIA will release an updated Budget 23-25 analysis in the coming days.

Thank you!

ENDS