

2022-23 QLD BUDGET OVERVIEW



2022-23 QLD BUDGET: MARSHALLING RESOURCES FOR A BALANCED RECOVERY

OVERVIEW

The 2022-23 Queensland Budget has been created to ensure that the State's ability to fund and deliver key policy and infrastructure programs will not result in a significant burden of debt. With the 2032 Olympics on the horizon coinciding with burgeoning net interstate migration and a cost-of-living crisis, there is a distinct focus on rolling out social and transport infrastructure, along with economically supporting SMEs and families.

The State has appropriately ramped up its social infrastructure pipeline through targeted hospital, social housing, and school infrastructure developments, along with program and staff funding in these sectors. This is being underpinned by a broadening of transport connectivity, which will both service the growing population and ensure capacity for the 2032 Olympics.

To fund these transformation projects, there have been significant shifts in the tax base, particularly for Queensland businesses, as the State redistributes resources from sectors that are resilient to ongoing national and global inflationary pressures. The new mental health payroll tax levy, changes to land tax and the introduction of new taxes on gaming are likely to impact larger corporations but allow for redistributions through tax deductions to SMEs and trainees; and cost-of-living payments to lower income households.

The 2022-23 budget also leverages booming resource prices through a changed levy to coal exports. This levy will help support the energy and grid transition, with Queensland making strategic investments in storage and generation across the State.

Major themes of the 2022-23 State Budget include:

- Social and affordable housing
- Health and education infrastructure
- Tax and transfer changes
- Transport and connectivity in SEQ

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SPECIFIC MEASURES

SOCIAL AND AFFORDABLE HOUSING

The Queensland Government has focused on improving the affordability of housing, mainly by funding greater expansions to increase supply in key development areas.

- \$150 million over 3 years to increase the Catalyst Infrastructure Fund to unlock development and increase the supply of housing in the States Priority Development Areas.
- \$50 million over 3 years, \$35 million held centrally, for the Growth Acceleration Fund to support the delivery of priority trunk infrastructure in the Caboolture West growth area and other targeted growth areas in South East Queensland.
- Building on the Housing and Homelessness Action Plan 2021-2025, the Queensland Government will further target support to address homelessness, with \$29.8 million over 4 years and \$10 million per year going.

INFRASTRUCTURE

The Queensland Government has invested over \$7.3 billion for transport portfolio capital investment to meet the needs of the growing population and mitigate traffic risk.

- \$1.065 billion to plan, preserve and construct the Rockhampton Ring Road.
- \$1 billion to construct Cooroy to Curra.
- \$662.5 million to upgrade the highway from 4 to 6 lanes between Caboolture-Bribie Island Road and Steve Irwin Way.

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ENERGY AND SUSTAINABILITY

The State budget aims to tackle sustainable growth issues through investments in clean energy production such as hydro pumps. Opportunities for greater employment, reduction of climate change risk and accelerating innovation are key motivations for the following measures implemented.

- The budget includes up to \$48 million more for pumped hydro energy storage investments including \$13 million to fast track the proposed Borumba pumped hydro energy storage project.
- \$35 million towards feasibility work on a second pumped hydro energy project.
- Supporting industry sustainability with up to \$45.9 million over 5 years in new biosecurity funding.

SMALL BUSINESS SUPPORT TO OFFSET COST-PUSH INFLATION PRESSURES

The State Government over the next year will continue to provide significant support for small businesses to offset the pressures of cost push inflation.

- \$24.7 million will be invested into Apprentice and Trainee Subsidy programs which provides funding towards the costs of training and assessment.
- Queensland employers with Australian payrolls between \$1.3 and \$6.5 million benefit from a deduction of \$1.3 million, which reduces by \$7 million, by which annual payroll exceeds \$1.3 million with no deduction for employers or groups that have annual payroll more than \$6.5 million.

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HOUSEHOLD SUPPORT TO OFFSET COST-PUSH INFLATION PRESSURES

As a result of the sharp increase in cost push inflation to the Australian economy, the Queensland Government will be taking measures to implement rebates and concessions to help ease pressures on households.

- \$385 million to provide a \$175 Cost of Living Rebate on Queensland households' power bills.
- In 2022-23, the value of these concessions is \$6.786 billion, an increase of more than 10 per cent from 2021-22.
- Energy concessions help provide affordable power to households and businesses, and have increased from \$689.5 million in 2015-16 to \$1.336 billion in 2022-23.
- \$55 million is provided over three years for Zero Emission Vehicles purchase subsidies and charging infrastructure.

HEALTH

The health sector was significantly impacted by Covid-19 and with growing demand in more recent times this year's budget has provided a record \$23.6 billion investment to help increase supply in this area.

- Since 2015-16, Queensland Health's operating budget has increased from \$14.183 billion to \$22.044 billion in the 2022-23 Queensland budget.
- Providing an additional \$1.645 billion in operating funding plus an additional \$28.5 million in capital funding to support a new 5-year plan, the Better Care Together.
- \$9.785 billion capital boost to build around 2,200 additional hospital beds over the next 6 years.

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REGIONAL QLD

The State Government recognises the importance of regional Queensland and the value of investing into these areas has on the overall Queensland economy.

- Delivering up to \$10 million for a pilot to improve supply and storage of energy in regional communities through local solutions.
- Tourism is an essential part of many regional Queensland economies and communities. To support recovery and growth in tourism, this State budget commits up to \$66.4 million over 4 years.
- Discounted tax rates for regional businesses are 3.75 per cent for employers who pay \$6.5 million or less in Australian taxable wages, or 3.95 per cent for employers who pay more than \$6.5 million in Australian taxable wages.

RE-ALIGNING THE TAX BASE

The Queensland Government have announced a realigning of tax base as part of the 2022-23 State budget. The focus was heavily on coal royalty rates and betting tax.

- Three additional progressive coal royalty rates will apply. The new tiers will apply on that part of the average price per tonne of the coal sold, disposed of, or used on or after 1 July 2022.
- 5 per cent racing levy will be applied to the betting tax rate and bonus bets will be incorporated into the calculation of betting tax for liabilities arising on or after 1 December 2022.
- Betting tax revenue allocated to the racing industry will increase from the current 35 per cent to 80 per cent.
- Retirement visa holder will be exempt from additional foreign acquirer duty for purchases of their principal place of residence on or after 1 January 2023.
- A mental health levy will apply to payroll tax liabilities arising on or after 1 January 2023. This will be applied to large employers, or groups of employers, with annual Australian taxable wages over \$10 million, including an additional levy applied to taxable wages over \$100 million.

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LAND TAX

The Queensland Government has announced new land tax provisions as part of the 2022-23 State budget. This comprises of a nationwide land tax to help create a fairer land tax system.

- New provisions will include a land tax for Queensland individuals based on a national level. This will take place as of 1 January 2023 and will affect land tax liabilities for the 2023-24 land tax year.
- Failure to notify the Commissioner of interstate land tax holdings will have consequences of up to \$14,375 in civil penalties.

WOMEN'S SAFETY

In response to the first Hear her Voice report, \$363 million dollars has been allocated over 5 years and \$61.3 million on an ongoing basis to criminalise and tackle coercive control amongst partners. This is supported by funding for specialist services for domestic, family, and sexual violence support. Overall, these measures should help in ensuring the safety of women and children and encourage vulnerable women to regain independence and re-engage in the workforce.

EDUCATION

The State Government has recognised the economic and social value gained by increasing funds in early childhood education. The measures implemented have a focus on supporting the quality of learning and education outcomes.

- \$19.6 billion for education and training in 2022-23, including significant investment in new schools, upgraded campus facilities, and additional classrooms at schools experiencing increased enrolment.
- \$389.5 million for new primary schools to open in 2025 and 2026, \$20 million over 2 years to upgrade school playgrounds and tuck-shop facilities, and \$118.6 million over 2 years for additional classrooms at schools experiencing increases in enrolment.
- \$80.6 million over 3 years to support the transition to a new resourcing model for students with disabilities, and \$13.3 million in 2022-23 to expand the Share and Dignity in Queensland Schools initiative.

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OUR ASSESSMENT OF THE 2022-23 QLD BUDGET

Overall, the 2022-23 Queensland Budget balances the pressing need to improve and future-proof infrastructure with the objective of remaining fiscally responsible over the medium to long term. The fiscal strategy presented is one that redistributes resources from industries and assets that are resilient to inflationary pressure toward the budget bottom line, tax relief, transfer payments and ongoing service provision.

The **development pipeline** has been strengthened over the foreseeable future, primarily through public infrastructure that targets a growing population and the need to maintain assets for the 2032 Olympics. This is heavily focused on transport, social housing, and health infrastructure. This relates to the dual effects of Covid-19 on the Queensland economy, where increased net interstate migration and the work from home revolution has seen growing demand for local access to healthcare, local amenities, and increased connectivity.

The fundamental motives for the new **taxes and transfers** are to ensure that the budget bottom line is in a sustainable bottom-line recovery over the forward estimates, with an operating surplus predicted for FY26. This is despite record spending on infrastructure, the continuation of tax relief for SMEs and once-off cost-of-living payments to lower income households. Ultimately, this is a redistribution of resources to businesses and families that are likely to struggle due to national and global inflationary pressures while ensuring the delivery of productivity-improving infrastructure throughout the State.

Changes to **land tax** arrangements previously foreshadowed in the Mid-Year Economic and Fiscal Outlook have been solidified in this budget. These changes will see increases in tax obligations to commercial and residential landowners based on their total landholdings at a national level, as opposed to only land owned within the State. Queensland is thus the first State to act on the Henry Tax Reviews suggestion of land tax based on a national level of property ownership. In the short term, this is likely to have a greater impact on owners of holiday properties and organisations with a national presence that operate in Queensland. From a homeownership perspective, this may have a marginal impact on unlocking existing supply in holiday regions currently facing housing affordability issues. For commercial property owners this may be a short-term burden from a compliance perspective, and if similar tax provisions are not rolled out nationally there may be commercial divestment in Queensland over the long term.

The Queensland Budget aims to leverage the global increase in coal prices to bolster the bottom line of the budget through changes to the **coal levee**. These changes are expected to see an additional \$1.9 billion added to the State's bottom line. This will assist in paying for newly announced strategic investments in **renewable energy** storage capacity, generation, and transmission improvements.

With **Australia's living costs soaring**, residents have seen spiraling petrol prices and expensive household goods. The Queensland State Government has addressed cost-of-living pressures by

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implementing measures to alleviate short-term pressures through once-off cost-of-living payments, as well as energy bill concessions while energy prices remain elevated. This has been done to limit the impact of inflation on lower income Australians, who face the brunt of the impact of inflation particularly when it affects essential goods and services.

To ensure the health and wellbeing of Queenslanders, **health sector spending** has increased. This is to account for current under-investments in mental health and the increased demand for physical assets and staff to assist in the delivery of healthcare to the fastest growing Australian State. While controversial, the mental health levy will see a sustainable base for funding services in the State. This coincides with a much-needed acceleration of **social and affordable housing** infrastructure and transfer payments, which will assist with both cost-of-living pressures and the current undersupply of housing for key workers in the State. Together, these measures should deliver cross-the-board productivity and wellbeing improvements to Queensland residents.

Regional Queensland is seeing additional support, recognising the significant economic and strategic contribution it makes to the State's economy. Additional support is coming in the form of payroll tax discounts for small agricultural businesses, increased funding for tourism, additional drought relief and investment in energy storage and supply across the region. This will allow rural communities to be better equipped to navigate the ebbs and flows of the economy as it emerges from Covid-19 and will underwrite the ongoing operations of the tourism industry while it is still in the recovery phase.

Queensland's successful bid to host **the 2032 Olympics** has not come at a significant cost to the State, with just over \$100 million being allocated for the maintenance and improvement of the sporting infrastructure required to host the games. This gives early indications that the Queensland Olympics was well-selected on the basis that the State had a strong existing capacity to do so. This will be complemented by the investment in transport infrastructure that has been needed because of the acceleration of population growth that is focused on South East Queensland.

A key policy of the Queensland Budget is the introduction of additional measures to tackle family and domestic violence and ensure **female and child safety** through targeted funding to tackle coercive control and family violence. This is likely to not only ensure the safety of women and children, but allow for vulnerable people to regain independence and engage in the workforce.

The Queensland Budget has been notably lacking in significant measures for **First Nations people**. Rather, outcomes for Aboriginal and Torres Strait Islanders are considered through funding for existing programs and allocations for employment across Government services. The lack of direct measures supporting Indigenous Australians in this budget is disappointing, and a lack of focus on these communities puts Queensland behind in offering culturally safe and economically beneficial employment and health outcomes.