

## VICTORIAN BUDGET OVERVIEW

24 May 2023

To: ALL AADA MEMBERS

### Outlook

Real gross state product (GSP) is forecast to grow by 2.75 per cent in 2022-23 but is expected to slow to 1.5 per cent in 2023-24 as high inflation and interest rates weigh on the economy. The rate of unemployment is below 4 per cent and underemployment is at multi-decade lows.

Revenue from motor vehicle taxes is expected to be \$3.4 billion in 2023-24, reflecting indexation of registration fees and growth in new car prices and is forecast to increase by 5.2 per cent per year over the forward estimates. Revenue from motor vehicle duty is expected to be supported by growth in new car prices.

New vehicle prices have been rising sharply since January 2022, primarily due to increased production costs and demand side pressure. The average sales price of new vehicles in 2022 is estimated to be 29.8 per cent above prices in 2019. A shortage of semiconductors constrained new vehicle production, increasing demand for used vehicles and contributing to a 46.1 per cent increase in used vehicle prices from 2019 to 2022. Used vehicle prices moderated in the latter half of 2022, coinciding with the easing of the new vehicle shortage in Australia.

### Budget measures

#### Apprenticeships

- The Government is providing \$10 million to offer free vehicle registration for eligible apprentices and tradespeople by expanding the motor vehicle registration discount from 50 per cent to 100 per cent, for apprentices that drive for work.
- \$4 million to develop and deliver an apprentice mental health training program for apprentices.
- \$1.5 million to support the establishment of an Apprenticeships Taskforce with employee, union, and industry representatives.

## COVID Debt Levy

- A new COVID Debt Levy to offset the cost of measures introduced by the Government in response to the pandemic over the past three years.
- It will have two components:
  - The payroll component will, from 1 July 2023, temporarily levy an additional payroll tax on large businesses with national payrolls above \$10 million a year. A rate of 0.5 per cent will apply for businesses with national payrolls above \$10 million, and businesses with national payrolls above \$100 million will pay an additional 0.5 per cent (1% in total).
  - The landholdings component will decrease the tax-free threshold for general land tax rates, while fixed charges and land tax rates will also be adjusted. From 1 January 2024, the tax-free threshold for general land tax rates will temporarily decrease from \$300 000 to \$50 000. The family home will remain exempt from land tax. Those who pay land tax will attract a temporary additional fixed charge starting at \$500 for landholdings between \$50 000 and \$100 000. There will be a \$975 fixed charge for landholdings above \$100 000 and the tax rates will temporarily increase by 0.1 per cent for both general and trust taxpayers with holdings above \$300 000 and \$250 000 respectively.
  - The Levy will end on 30 June 2033.

## Stamp duty

- Reform land transfer duty for commercial and industrial properties to transition away from stamp duty for commercial and industrial properties. This will occur after the next sale, with an annual property tax applying after a transition period of 10 years. This reform will not affect current owners of commercial and industrial properties, as the property will only be subject to the new arrangements once it transacts.
- The first purchaser of a commercial or industrial property after 1 July 2024 will be able to choose to either pay the property's final stamp duty liability as an upfront lump sum, or transition to an annual payment immediately by opting to pay fixed instalments over 10 years equal to stamp duty and interest with a government-facilitated transition loan.

## Small Business

- From 1 July 2024, the payroll tax free threshold will be lifted from \$700 000 to \$900 000. The payroll tax-free threshold will be lifted again, to \$1 million, from 1 July 2025, and going forward, the payroll tax free threshold will be phased out for larger business.

## Abolish business insurance duty

- Abolish business insurance duties (which apply to public and product liability, professional indemnity, employers' liability, fire and industrial special risks, and marine and aviation insurance). Abolition will be achieved by 2033, with the rate of duty, currently 10 per cent, being reduced by 1 percentage point each year from 1 July 2024.

## WorkSafe

- WorkSafe's average premium rate will be increasing from an average of 1.272 per cent of remuneration in 2022-23 to an average of 1.8 per cent from 2023-24.

If you have any questions or need further information, please contact:

**Brian Savage**

DEPUTY CHIEF EXECUTIVE OFFICER

Australian Automotive Dealer Association Ltd.

E: [bsavage@aada.asn.au](mailto:bsavage@aada.asn.au)

M: +61 418 377 594