

Summary of the 2020/21 Victorian State Budget

24 November 2020

Treasurer Tim Pallas handed down the State Budget on Tuesday 24 November 2020.

This is the Andrews Government's sixth budget. The overarching theme of the budget is 'Putting People First.'

The Master Builders Victoria media release in response to the State Budget can be found [here](#).

As a result of the COVID-19 economic downturn, Victoria operated a \$6.5 billion deficit for the 2019-20 financial year, with further operating deficits forecast over the forward estimates. A deficit of \$23.3 billion is expected for 2020-21.

The significant levels of spending by the government to address the COVID-19 economic downturn has meant a net debt level of 9.6 per cent of GSP for 2019-20, with net debt expected to reach 28.9 per cent of GSP by 2023-24.

1. Economic outlook

The economic impact of COVID-19 has meant that the unemployment rate rose to 5.4 per cent for 2019-20 and is forecast to grow to 7.75 per cent for 2020-21 before falling to 7 per cent for 2021-22.

Victoria's economy declined by 0.25 per cent in 2019-20 and is forecast to fall further by 4 per cent in 2020-21 before a sharp increase of 7.75 per cent in 2021-22.

Victoria's population growth has been strong over the past decade, recording population growth rates higher than any other state or territory since 2013. However, the restrictions on international migration will mean significantly lower population growth during the next two years. It is expected that population growth for 2020-21 will just be 0.2 per cent compared to the average of 2.3 per cent over the past five years.

The budget estimates continue to show government relying heavily on tax revenue relating to property. Revenue accumulated from this sector, from taxes such as land tax and land-transfer duty, amount to approximately 45 per cent of the total taxation revenue for 2020-21.

2. The role of infrastructure in Victoria's economic recovery

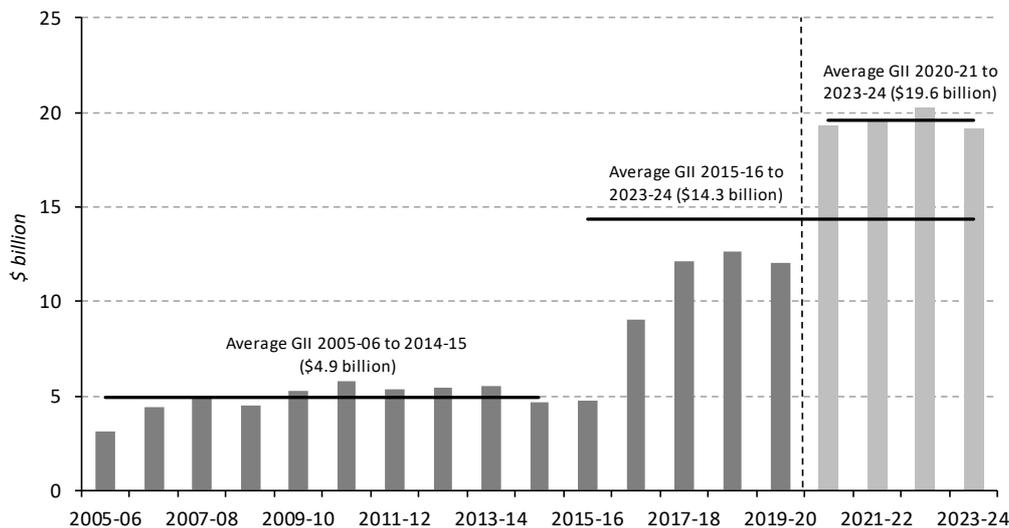
Infrastructure investment will play a core role in Victoria's economic recovery, evidenced by the budget's significant increase to capital investment as part of the government's Big Build program and expansion of social and affordable housing through its Big Housing Build package.

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It means that \$19.8 billion will be allocated to capital investment in this year’s budget with annual capital investment estimated to average \$19.6 billion over the next four years. This is approximately four times the 10-year average to 2014-15.

Government infrastructure investment



Source: Victorian Budget 2020/21, Budget Paper No. 2, p. 84

3. Summary of announcements relevant to Master Builders Victoria members

Taxation and grants

- \$2 billion in tax deferrals, including allowing businesses with payrolls of up to \$10 million to defer their 2020-21 payroll tax liabilities for up to 12 months
- \$1.8 billion in tax relief including a full refund and waiver of 2019-20 payroll tax for small and medium businesses
- Increase the threshold for paying payroll tax on an annual basis from \$40,000 to \$100,000
- Providing \$836 million for a new jobs tax credit to encourage small and medium-sized businesses to re-hire staff, restore staff hours and create new jobs
- Land-tax relief for eligible small and medium-sized businesses that own their commercial premises. Owner-occupiers of commercial properties can obtain a 25 per cent waiver of the property’s 2020 land tax, while payment of the remaining tax can be deferred to 31 March 2021
- Grants of up to \$50,000 for local business groups and chambers of commerce to assist members to adapt and recover

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Infrastructure

- \$5.3 billion will be invested in social housing projects, with 25 per cent in regional areas.
- \$2.2 billion will commence Stage One of the Suburban Rail Loop.
- \$7 billion (matched by Federal Government) will be for Melbourne Airport Rail Link and Geelong Fast Rail.
- \$2 billion will be invested in building new hospitals and upgrading existing ones in both metropolitan Melbourne and regional Victoria. It will include:
 - \$384 million to start construction on the Warrnambool Base Hospital redevelopment.
 - \$75 million to purchase land and undertake planning and early works for a new Melton hospital.
 - \$66 million to acquire land and continue planning for community hospitals in Cranbourne, Pakenham, Torquay, City of Whittlesea, Eltham, Point Cook, and the inner south.
 - \$10 million for planning for upgrades to the Royal Melbourne Hospital
 - \$7.6 million in upgrades for Wangaratta Hospital.
 - \$200 million Metropolitan Health Infrastructure Fund for upgrades across city and suburban health services.
 - an extra \$120 million for the Regional Health Infrastructure Fund.
- \$492 million will be used to build capacity for 120 more acute mental-health beds in Geelong, Epping, Sunshine and Melbourne.
- \$1.9 billion will be invested in school infrastructure on top of the existing \$1.1 billion and will support 6400 construction jobs, of which 4830 will be in metropolitan Melbourne and 1570 in regional Victoria. It includes:
 - upgrades for 162 schools.
 - a new vertical school proposed for North Melbourne.
- \$3.8 billion will be invested in rail network upgrades including:
 - \$899 million for track between South Geelong and Waurin Ponds.
 - \$400 million for Stage 3 of the Shepparton Rail upgrade.
 - \$260 million to complete Stage Two of the Warrnambool Rail Line Upgrade.
- Over \$800 million will be invested to repair regional roads including:
 - \$300 million for a road maintenance blitz across regional Victoria.
 - \$255 million to upgrade Victoria's Great Ocean Road and surrounding inland routes.
 - \$241 million to duplicate the Princes Highway East between Traralgon and Sale at the Flynn and Kilmany locations.
 - \$17.4 million to upgrade freight routes for farmers and processors in Victoria's south-west dairy supply chain.
 - \$10 million for upgrades to sections of the Robinvale – Sea Lake Road.

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- \$4 million will be invested for safety improvements for motorists on the Henty Highway between Horsham and Lascelles.
- \$100 million towards TAFE upgrades at Chisholm Institute Frankston and Melbourne Polytechnic Collingwood
- \$225 million Marvel Stadium upgrade to commence, along with infrastructure builds or upgrades at Kardinia Park (Geelong FC) and Essendon, Richmond, St Kilda, Western Bulldogs, North Melbourne Football clubs
- A range of local community facilities including:
 - \$52 million for park upgrades
 - \$110 million for the community sports infrastructure stimulus program
 - \$75 million for the Growing Suburbs Fund
 - \$27 million for upgraded community sports facilities
 - \$20 million to revitalise town centres in Broadmeadows, Boronia, Frankston, Lilydale, Melton, Noble Park, Reservoir and Tarneit

Building and planning

- \$1.4 billion investment to transform Melbourne's Arts Precinct. It will include:
 - New stand-alone National Gallery of Victoria Contemporary
 - An 18,000 square-metre public garden with cafes and restaurants
 - Upgrades to the Arts Centre
- \$448 million for energy-efficient upgrades for homes and \$191 million to expand the Solar Homes program – including 42,000 additional solar rebates for homes and 15,000 rebates for small businesses
- \$5.3 billion in funding to construct more than 12,000 new social- housing, affordable and low-cost dwellings.
- \$500 million towards the Victorian Homebuyer Fund to accelerate Victorians into home ownership. The fund will contribute to the purchase price of the established or newly built home in exchange for a proportionate equity interest in the property to reduce the size of the deposit required.
- Establishing a build-to-rent sector by providing a 50 per cent land-tax discount from 1 January 2022 for eligible new developments until 2040. These developments will also be exempt from the Absentee Owner Surcharge over the same period.
- Tax relief on stamp duty for residential property transactions of up to \$1 million. A waiver of 50 per cent for new residential properties, and 25 per cent for existing residential properties, will be available for purchase of up to \$1 million for contracts entered into between the day after announcement and 30 June 2021.
- The \$20,000 First Home Owner Grant for people buying or building a new home in regional Victoria has been extended to apply to contracts of sale entered up until 30 June 2021.

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- \$52 million to implement recommendations from the Commissioner for Better Regulation’s planning reforms and to grow housing supply through the Victorian Planning Authority programs ‘Affordable by Supply’ and ‘Streamlining for Growth’
- \$59 million towards targeting planning systems reforms

Skills and workforce

- \$38 million towards the revamping of VCAL, with it being incorporated into the VCE program
- \$19 million for innovative apprenticeship models, including encouragement of women into building and construction
- Up to 80,000 new free TAFE and subsidised training places
- \$57 million for the delivery of accredited skills sets and a workforce skill set pilot
- Funding to attract and support people to reskill as teachers at Victorian TAFEs
- \$33 million to expand opportunities for apprentices and trainees through the Big Build training pathway

4. Additional areas of interest for the building and construction industry

Breakthrough Victoria Fund

A \$2 billion Breakthrough Victoria Fund to focus on priority industries including medical research, health and life-sciences, agri-food, advanced manufacturing, clean energy, and digital technologies

Funding toward Victorian start-ups

Funding has been allocated to support Victorian start-ups. These include:

- the \$61 million Victorian Startup Capital Fund to unlock private capital to support high-growth start-ups and develop new technology and innovation.
- the Venture Growth Fund, which will co-invest in a venture debt facility with a private investor to inject more capital into the start-up sector and support companies to grow that do not meet the requirements of traditional lenders.
- eligible small and medium-sized enterprises claiming the Commonwealth’s Research and Development Tax Incentive will have access to a \$50 million fund that will provide low-interest loans for up to 80 per cent of their forecast refundable tax offset.
- \$40 million into the LaunchVic Accelerate initiative to re-establish growth in Victoria’s start-up ecosystem.

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