



Victorian State Budget 2020-21: Summary Sheet

Prepared by UDIA Victoria 24.11.2020

Overview

Record investment in housing and planning is a welcome feature of the 2020/21 State Budget that will elevate Victoria's position as an attractive place to live, work and invest.

The 2020/21 Victoria State Budget, handed down today, includes significant investment in jobs, housing, infrastructure, education, planning, health and tourism – important areas where meaningful investment will help attract people and capital as Victoria recovers from the economic impacts of COVID-19.

According to the Budget Papers, the state's population growth over 2020-21 is now expected to be just 0.2 per cent, compared with an average of 2.3 per cent over the past five years. As international borders re-open, and confidence in the economic outlook improves, population growth is expected to slowly pick up to be 1.1 per cent in 2022-23 and 1.7 per cent by the end of 2023-24.

The Budget is based on the assumptions that Australia's international borders will remain closed to migrants and tourists until at least mid-2021; and that a significant return of international students will not occur until the 2022 academic year.

To help counter the economic effects of this temporary stall in tourism and population growth, the Andrews Government has put forward an unprecedented level of government support and stimulus to encourage property purchases and create jobs for Victoria's building, development and construction industry.

In a huge advocacy win, UDIA Victoria pitched the idea to halve stamp duty as a budget-neutral measure that would stimulate economic activity. The Government has decided to do just that with a stamp duty waiver of 50 per cent for residential property transactions of up to \$1 million for contracts entered between 25 November 2020 and 30 June 2021.

In further positive news for our industry and Victorian communities, Victoria's Big Housing Build Budget package includes a record \$6 billion for investment in social and affordable housing, a \$500 million fund to contribute to the purchase price of a home in exchange for equity interest to accelerate Victorians into home ownership, over \$110 million for planning reform, and an extension to the \$20,000 First Home Owners Grant for regional Victorians.

Coupled with \$1.5 billion in new tax relief for Victorian businesses and families; plus \$300 million to help draw more overseas investment, support local industries and create jobs here in Victoria; this Budget takes big steps towards encouraging interstate migration until international migration resumes at a meaningful level.

In a further nod to the long running advocacy agenda our industry has pursued, the Government has made a record commitment to planning reform with a program to cut red tape, speed up assessment and approval processes and drive efficiency and productivity in coming years.

Finally, the budget marks a new era for Victoria's rental sector with the emergence of the Build to Rent asset class now a certainty thanks to land tax discounts and favourable project assessment models for major projects.

This Budget tells us that 44 per cent of Victoria's tax income is derived from property, making it a fundamental plank of our economic recovery, and an industry that is well-placed to play a leading role in Victoria's road to recovery.

Overall, this is a hugely positive Budget for our industry, and for Victoria. The only significant shortfall of this Budget is the lack of investment in the reactivation and revival of the Melbourne CBD, which UDIA Victoria

considers essential to the state's broader economic recovery We will continue to engage with the Andrews Government on this point.

Key Points for the Urban Development Industry

- Victoria's population growth over 2020-21 expected to be 0.2 per cent, compared with an average of 2.3 per cent over the past five years. Population growth is expected to slowly pick up to 1.7 per cent by the end of 2023-24.
- The Budget includes significant investment in housing:
 - stamp duty waiver of 50 per cent for residential property transactions of up to \$1 million for contracts entered between 25 November 2020 and 30 June 2021;
 - \$6 billion for investment in social and affordable housing;
 - \$500 million fund to contribute to the purchase price of a home in exchange for equity interest to accelerate Victorians into home ownership;
 - 50 per cent land tax discount for parts of the build-to-rent; and
 - extension to the \$20,000 First Homeowners Grant for regional Victorians.
- The Budget includes significant investment in planning system modernisation including:
 - \$52 million to implement the Commissioner for Better Regulation's planning reforms and to increase housing supply through the Victorian Planning Authority's work program;
 - \$59 million for targeted planning system reforms including structural system reform and a review of the *Planning and Environment Act 1987*;
 - Creation of a new fast-tracked development assessment model for major projects over \$50 million, making the assessment process simpler and faster for these important projects; and
 - Critical ongoing upgrades to the state's digital planning system platform, reducing the regulatory burden for applicants and approval authorities.
- The 2020-21 Victoria State Budget is based on the assumptions that Australian borders are likely to remain closed to migrants and tourists until at least mid-2021; and that a significant return of international students will not occur until the 2022 academic year.
- Taxes on property represent approximately 44% of the State Government's taxation revenue, down slightly from the previous financial year.

Victorian Economic Overview

- The 2019-20 Victorian State Budget will deliver an operating deficit of \$6.5 billion in 2019-20 and a forecast deficit of \$23.3 billion in 2020-21, The general government operating cash deficit is forecast to be \$21.8 billion in 2020-21, reducing to an average of \$2.8 billion a year over the forward estimates.
- Victoria's GSP is forecast to contract by 4.0 per cent in 2020-21, following a small decline of 0.25 per cent in 2019-20.
- The 2020-21 Victoria State Budget is based on the assumptions that Australian borders are likely to remain closed to migrants and tourists until at least mid-2021; and that a significant return of international students does not occur until the 2022 academic year.

Population

- Population growth is forecast to be significantly lower in the next two years, and well below expectations in the *2019-20 Budget Update*.
- Population growth over 2020-21 is now expected to be just 0.2 per cent, compared with an average of 2.3 per cent over the past five years. As international borders re-open, and confidence in the economic outlook improves population growth is expected to slowly pick up to be 1.1 per cent in 2022-23 and 1.7 per cent by the end of 2023-24.

Employment

- Employment is expected to fall by 3.25 per cent in 2020-21, with a quarterly peak of 8.25 per cent in the December quarter 2020.
- Employment is forecast to increase by 3.5 per cent in 2021-22, and then projected to increase a further 2.25% in 2022-23, and 2.0 per cent in 2023-24.
- Unemployment is forecast to be 7.75% in 2020-21, 6.25 per cent in 2022-23, and 5.75 per cent in 2023-24 projections.
- A strong rebound in Victoria's economic and employment growth rates is forecast, particularly in 2021-22.

Property Taxation

Taxes on property now represents approximately 44% down of the State Government's taxation revenue and 14% of its total revenue, both down slightly from the previous financial year.

Land Transfer Duty

- Land Transfer duty (stamp duty) is expected to fall sharply by 25.9 per cent in 2020-21 from the 2019-20 result, reflecting the fall in transaction volumes, weaker property prices and the impact of Government's land transfer duty relief initiatives, before starting to recover from 2021-22.
- Land transfer duty is expected to recover from 2021-22 and grow by an average of 15.4 per cent a year over the forward estimates but is not expected to reach the 2018-19 level until 2022-23.

Growth Area Infrastructure Contributions

- The Budget estimates \$240 million in GAIC revenue for 2020-21.
- Forward GAIC estimates expect an additional \$331 million in 2021-22, \$381 million in 2022-23, and \$438 million in 2023-24.

Land Tax

- Land tax revenue in 2020-21 is expected to increase by 1.6 per cent from the 2019-20 result to \$3.5 billion. The deterioration in the property market following COVID-19 is expected to weaken growth in land tax revenue from 2021-22 onwards.
- Land tax revenue is expected to grow by an average of 3.0 per cent a year over the forward estimates, and by an average annual rate of 1.8 per cent over the five years to 2023-24.

Features of the 2020/21 Victoria State Budget

Social and Affordable Housing

- \$5.3 billion funding for a record public and community housing package to deliver a total of 12,000+ new homes, and support approx. 10,000 jobs per year over the next four years.
- The package will boost our state's social housing supply by 10 per cent in four years and generate an estimated \$6.7 billion in economic activity.
- 25 per cent of the program's funding will be directed to regional Victoria.
- Investment for:
 - public land development (\$532m);
 - spot purchase program from private sector (\$948m);
 - new opportunities with private sector and community housing partners (\$2.14b);
 - funding for community housing sector via Social Housing Growth Fund (\$1.38b);
 - public housing upgrades and new builds (\$498m + \$185m).
- Wider system reforms including:
 - A 10-year strategy for social and affordable housing developed with the not-for-profit sector and industry;
 - Rolling 4-year supply and delivery plans offering guidance to the market, and ensuring a high-quality pipeline of social and affordable housing developments;
 - Rate exemptions for social housing to be phased in with a new annual payment to the relevant local government area, set at a proportion of current rates to mitigate loss of revenue;
 - Streamlined planning with Minister to be the Responsible Authority for projects funded by the Big Build Program;
 - An independent review of Victoria's social housing regulatory system;
 - Community Housing sector development fund; and
 - Development of a Community Housing Compact with Local Government.

Housing Affordability and Accessibility

- The Victorian Homebuyer Fund will provide \$500 million to accelerate Victorians into home ownership. The Fund will contribute to the purchase price in exchange for a proportionate equity interest in the property. This reduces the size of the deposit required and will help Victorians afford their homes sooner. The fund will support the purchase of both established and newly built homes.
- Build to Rent land tax discounts to increase the supply of housing and create more options for renters by establishing the build-to-rent sector in Victoria. From 1 January 2022 there will be a 50% land tax discount for eligible new developments until 2040. These developments will also be exempt from the Absentee Owner Surcharge over the same period. Investment in the build-to-rent sector will stimulate construction activity, create jobs and support Victoria's economic recovery.
- Tax relief on stamp duty for residential property transactions of up to \$1 million: A waiver of 50% for new residential properties, and 25% for existing residential properties, will be available for purchases of up to \$1 million for contracts entered into between the day after announcement and 30 June 2021.
- Extension to the \$20,000 First Home Owner Grant for people buying or building a new home in regional Victoria to apply to contracts of sale entered up until 30 June 2021. This extension gives



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more Victorians the opportunity to live locally and enter the property market for the first time, while also supporting jobs in regional Victoria.

Planning

- \$111 million to unlock Victoria's planning system, speeding up delivery of vital major projects and boosting construction of social and affordable housing and the jobs that go with them. This includes:
- \$38 million to improve planning processes, as recommended by the Commissioner for Better Regulation, streamlining decision-making and giving the private sector greater certainty to invest, create jobs and bring their business to Victoria.
- To drive investment in big projects, a new assessment model for development proposals greater than \$50 million will be created. This model will make the approvals process simpler and quicker for these developments, giving investors even more confidence to build more projects here in Victoria. UDIA Victoria understands we will have a seat at the table as the Government develops and actions this assessment model.
- \$3.86 million to streamline the approval pathway, making it easier for private builders to include social and affordable housing in their developments.
- \$15.7 million to help maintain and improve digital systems for permit and planning scheme amendments.
- \$4 million to help councils upgrade their digital planning permit systems making it easier to lodge and track permits online, speeding up the process and reducing the hassle of having to lodge paperwork in person.
- \$14 million to the Victorian Planning Authority, including funding the Streamlining for Growth program. The program provides support to local councils to fast-track local planning applications, boosting employment and making housing more affordable.
- More than \$2 million will go towards a trial of an innovative new 3D spatial data program called Digital Twin Victoria. The trial will bring together a whole host of currently disparate spatial data to develop digital models of Victoria – making it easier to accurately assess and plan projects remotely.
- \$4.45 million will expand the Victorian Building Authority's proactive building inspection program.
- \$4.4 million to ensure heritage protection for Jacksons Hill in Sunbury.
- More than \$3.2 million will continue the implementation of Plan Melbourne – the blueprint guiding Melbourne's growth, ensuring we continue to plan for strong communities and jobs.

Infrastructure

Government infrastructure investment is expected to average \$19.6 billion a year over the budget and forward estimates – around four times the 10-year average to 2014-15.

Suburban Rail Loop

- The most significant infrastructure announcement for metropolitan Melbourne is the headline \$2.2 billion to kickstart Stage One of the Suburban Rail Loop, which will provide up to 20,000 jobs during construction.
- Funding will purchase land, upgrade roads and power supply, build new sub-stations, relocate and protect gas, water and other utilities, and deliver other vital works to prepare for major construction.

Local Infrastructure

- \$276.5 million for the final stages on the Dandenong Corridor that will allow faster train speeds by

upgrading infrastructure before the deployment of High Capacity Metro Trains, which are being assembled in Melbourne and are supporting 1100 jobs. It also includes \$5.5 million to plan important track works near Caulfield Station and \$4.4 million to deliver a pedestrian crossing and drop-off zone for the new school in the Fitzroy Gasworks renewal precinct.

- \$75 million through the Growing Suburbs Fund to deliver hundreds of local infrastructure projects and community facilities in Melbourne's diverse and growing suburbs.
- \$13.3 million for the *Living Libraries Infrastructure Program* and the *Public Libraries Resource Program*, to help local councils and regional libraries renew, redesign or rebuild libraries.
- \$20 million to revitalise town centres in Altona, Broadmeadows, Boronia, Frankston, Lilydale, Melton, Noble Park, Reservoir and Tarneit, delivering upgrades and improvements to local community spaces.
- Councils will also be able to access low interest loans from the \$100 million *Local Government Community Infrastructure Loans Scheme*.

Regional Victoria

- \$2 billion in the Geelong Fast Rail project to reduce travel times between Geelong and Melbourne and carry more passengers on our state's busiest regional rail line – matching the Commonwealth's commitment to the project.
- \$400 million for Stage 3 of the Shepparton V/Line Upgrade, which will allow trains to travel up to 130km/h and enable nine return services to and from Melbourne every weekday.
- North Geelong, North Shore and Lara stations will share in \$24 million of upgrades to make train stations across the state safer and more comfortable,
- Corio to Waurin Ponds section of the Geelong Line will see the benefits of a \$90.5 million package to upgrade track and level crossing upgrades across the regional network.
- \$48.8 million for work on the Murray Basin Rail Project.
- \$465 million Victorian Tourism Recovery Package including, more than \$47.5 million to build better visitor infrastructure along the Great Ocean Road, \$18.5 million Gippsland Tourism Recovery Package, and a \$58 million marketing boost for Visit Victoria to promote the state's appeal to Victorians and, beyond our borders, to all Australians.

Jobs and Business Investment

- New \$619 million Jobs for Victoria initiative, including:
 - \$1 billion in TAFE and training to give Victorians the skills to get back to work;
 - \$619 million investment in Jobs for Victoria;
 - \$64 million Digital Skills and Jobs program;
 - \$836 million for the New jobs tax credit to encourage small and medium businesses to increase employment by re-hiring staff, restoring staff hours or supporting new jobs as they recover from the effects of the pandemic; and
 - \$626 million package to support Victoria's transition to a digital economy.
- \$1.5 billion in new tax relief for Victorian businesses and families, including:
 - A New Jobs Tax Credit, which supports those small and medium businesses that rehire staff, restore hours or create new jobs. Under the plan, these businesses will get a tax credit of ten cents for every dollar it increases taxable Victorian wages. This emergency tax relief measure will be available for two years, saving businesses a combined \$836 million and helping to support an estimated 9,400 people back into employment;



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- Increasing the threshold for annual payroll tax payment from 1 July 2021. As a result, up to 7,000 extra businesses will now be able to pay their payroll tax annually, rather than monthly, cutting red tape and boosting their cash flow; and
 - In a bid to lure businesses to regional Victoria, a 50 per cent stamp duty concession on the purchase of commercial and industrial properties will be brought forward to January 2021 – encouraging more businesses to open, relocate or expand, and helping our hard-hit regional economies bounce back. This investment will save businesses a further \$39.6 million.
- More than \$300 million for an *International Investment Strategy*, including:
 - \$80 million over the next three years for targeted financial incentives to secure international investment, create jobs, foster innovation and make our state more productive;
 - \$16 million to ensure Victoria remains globally competitive, strengthens its international networks and positions itself as the leading Australian state for international engagement; and
 - \$33.4 million for the international education sector.
- \$1.46 billion to transform Melbourne's Arts Precinct – bringing visitors from interstate and overseas, creating thousands of Victorian jobs and giving families a new public place to enjoy and explore.

The abovementioned features of the Budget build on important previously announced support packages including:

- \$1.1 billion in cash grants to support small and medium sized businesses;
- deferral of payroll tax for businesses with payrolls up to \$10 million for the full 2020 21 financial year. This equates to a \$1.7 billion cash flow boost for businesses;
- 50 per cent stamp duty discount for commercial and industrial property across all of regional Victoria was brought forward to 1 January 2021;
- waiving 25 per cent of the 2020 congestion levy and deferring any outstanding congestion levy liability until March 2021;
- a full waiver will be provided for all 2021 vacant residential land tax liabilities that arise due to property vacancies in 2020;
- grants of up to \$50 000 for local business groups and chambers of commerce, to assist members adapt to COVID Normal;
- \$15.7 million to fund an export recovery package to address logistics and supply chain issues during the coronavirus (COVID 19) pandemic and establish new export channels; and
- \$8.5 million for the Click for Vic campaign and website to connect Victorians with local producers, creators and businesses.