

Spotlight on Spending

NSW State Budget - 22 June 2021

innovation | economy | recovery | taxes | incentives | exports | R&D | jobs | opportunities

This Budget continues to build on NSW's infrastructure theme, with concerns from the property industry largely being alleviated by no new taxes or tax increases on property, and with proposals for longer term reform of transfer taxes yet to be finalised. Our experts have summarised the key initiatives for business below.

Key takeaways

Investing in social infrastructure

Large spending initiatives in infrastructure were announced, with investment of \$85.6bn over four years for roads, schools, health and the new Bradfield City Centre, including:

- \$3.bn over the next four years for the 'More Trains, More Services' program to modernise the rail network
- \$2.7bn over four years for the M6 stage 1 extension
- \$2.1bn over four years for 44 new and upgraded schools across the State
- \$2bn over four years for the Great Western Highway Upgrade
- \$1.3bn for the Bankstown-Lidcombe Hospital and Community Health Services Redevelopment
- \$870.0m for enabling works for the new Bradfield City Centre
- \$168.7m over four years for the Muswellbrook bypass, New England Highway.

Electric Vehicle (EV) Initiatives

The only major tax initiative is the previously announced change to duty on the registration of EVs:

- Battery electric and hydrogen fuel cell vehicles costing less than \$78,000 will be exempt from vehicle duty from 1 September 2021. The duty exemption will be extended to all zero and low emission vehicles (including plug-in hybrid EVs) from the start date of the Road User Charge – see below.
- From 1 September 2021, a rebate of \$3,000 will be provided for the first 25,000 new battery and fuel cell EVs priced below \$68,750. These policies will provide those purchasing an eligible vehicle with an immediate benefit of up to \$5,540.
- The Road User Charge (RUC) will commence from the earlier of 1 July 2027 or when battery EVs reach 30 per cent of new vehicle sales in NSW, applicable to all EVs that were eligible for the stamp duty exemption at purchase. The RUC will be set at 2.5 cents/km (indexed by the Sydney CPI) for battery and fuel cell EVs, and 2 cents/km for plug-in hybrids.
- EV uptake will also be accelerated by investment in

charging infrastructure across the State, including ultra-fast vehicle chargers at intervals of 100km on major NSW highways, and 5km on major Sydney commuter corridors, and additional charging infrastructure in areas with limited off-street parking, in commuter car parks and in regional tourist areas.

- The NSW Government will set targets to convert its passenger fleet to electric vehicles.

Investing in health infrastructure

On top of continuing to fund NSW's ongoing COVID responses:

- \$3.1bn will be invested in 2021-22 to continue and commence around 110 health capital projects across 18 metropolitan hospitals, 28 regional hospitals and other health facilities. Major works currently underway include:
- \$835m for the John Hunter Health and Innovation Precinct
- \$740m for the Liverpool Health and Academic Precinct
- \$673.3m for the Tweed Hospital and Integrated Ambulatory Services Redevelopment.



Key takeaways continued

Pay-roll taxes

- A temporary two-year reduction in the payroll tax rate
- A permanent increase in the payroll tax threshold to \$1.2m.

Transfer duty

No new duties were imposed on land transfers in this budget, though no announcements were made in relation to earlier NSW Treasury proposals to replace transfer duty with a broad-based property tax. The Treasurer has recorded his intention to proceed with reform, but with no stated timetable.

Land tax

- No changes announced to land taxes.
- Land tax is forecast to grow by 5.2% on average over the four years to 2024-25. This uplift is largely due to expectations for higher average land values than previously forecast.

Build to Rent (BTR)

- Although the budget included additional spending on Government social housing, no new BTR initiatives were announced.

Planning & Environment

In 2021-22, the Planning, Industry and Environment Cluster will invest \$1.2bn, including:

- \$179.9m to deliver the NSW Planning Reform Action Plan to improve the timeliness, transparency and certainty of the State's planning system. Includes:
 - \$86.9m for the NSW Public Spaces Legacy Program, which will continue to accelerate planning assessments and fund 60 councils to provide new and improved public and open spaces across the State
 - Consolidating employment zones and optimising the use of industrial land to generate jobs and support economic growth.
- \$139.3m recurrent expenses to deliver the Accelerated Infrastructure Fund 2, which will provide funding to councils in high growth areas to support construction activity and the release of new homes and employment areas in key greenfield sites.
- \$4.9m to continue to deliver strategic plans to: shape land use rezoning outcomes; deliver the committed 12 State-led rezoning precincts by end of 2022 and ongoing additional precincts; support councils through collaboration on council-led precincts and deliver ongoing State-led rezonings.

Sustainability initiatives

- \$379.6m in additional funding to implement the Electricity Infrastructure Roadmap, the Government's plan to attract \$32bn in private investment in new generation, storage, firming and network infrastructure by 2030, including: funding for the Energy Corporation of NSW to enable the coordinated delivery of Renewable Energy Zones across New South Wales.
- \$49m to transition New South Wales to net zero emissions by 2050, create more sustainable businesses and support job creation for the future economy with three focus areas: supporting existing industry to transition to low emission alternatives and future proof their businesses; creating the jobs of the future by setting up low carbon industries such as green hydrogen; bolstering research and development in clean technology to support decarbonising in ways that grow the economy.

Attracting investment

The Government has provided Investment NSW with over \$400m to attract further investment and innovation in NSW with more than half of that earmarked for grants and subsidies. Under the Global NSW strategy, the focus is expected to continue to be on health, agribusiness, defence and aerospace, resources and infrastructure.



Accountants & Advisors

Did the Budget put the spotlight on what you wanted?

Opportunities for infrastructure, innovation and investment are critical to our nation's success. Reach out to one of our experts below for assistance navigating the implications and opportunities this Budget presents for you, your business and your industry.



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Our review



4/5 – Some bits missing

Having largely kept NSW open for business during the ongoing pandemic, this Budget continues to drive NSW's infrastructure and investment agenda with further spending and other reforms.