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WHAT THE 2019–20 NEW SOUTH WALES STATE BUDGET MEANS FOR YOUR BUSINESS

Key points

- Business-as-usual budget provides welcome water management measures.
- A higher payroll tax threshold will help make NSW more competitive with other states and may create jobs.
- Significant investment in regional Australia will improve services and potentially encourage businesses to relocate to regional areas.

SUMMARY

The latest New South Wales state budget is a sensible one that ties each element together clearly. For example, it includes welcome spending on infrastructure in regional areas, reinforced by spending on healthcare and other services to support growing populations in these areas.

The key focus of this budget is regional NSW, with plenty of measures to encourage businesses to move out of Sydney. This will ideally take some of the pressure off the property market in Sydney while making regional NSW more attractive for businesses and their employees.

Therefore, it's not surprising to see a strong focus on infrastructure spending, particularly with regard to water infrastructure. Without access to water, regional NSW won't be able to sustain growth. With many regional areas already struggling to access sufficient water, the government needs to balance efforts to aid farmers ravaged by drought with moves to protect Sydney's drinking water.

While providing attractive measures for businesses and people considering a move to regional NSW, this budget is unlikely to prompt major changes or bold action from businesses. Instead, organisations should see this budget as an indication to maintain business as usual. It's a responsible budget that should meet with approval from most quarters.

RELIEF & INVESTMENT FOR **REGIONAL NEW SOUTH WALES**



Water management measures improved



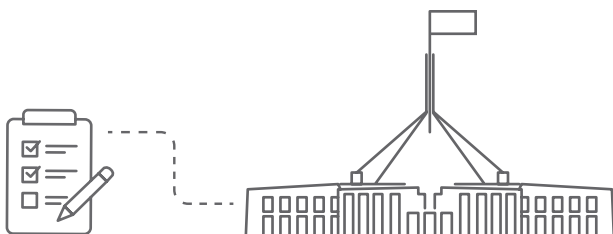
A HIGHER PAYROLL TAX THRESHOLD

to help make
NSW more
competitive

SPENDING ON SERVICES AND EDUCATION



Infrastructure funding for projects strong focus





CONSIDERATIONS FOR BUSINESS

Payroll tax relief

- The payroll tax threshold will increase progressively from \$750,000 currently to \$900,000 in 2019–20, and to \$1 million in 2021–22.
- Monthly payroll tax returns will be replaced by an annual return for businesses with tax liabilities of up to \$20,000.

Small and medium businesses will benefit by having more breathing room to add more employees to their payroll without incurring payroll tax. The increase in the threshold will help make NSW an attractive place to do business and it may help create jobs, as small and medium businesses that have been reluctant to put on extra employees may now feel more able to do so.

The increases in the threshold are forecast to save businesses \$571 million over the next two years while still benefitting the government with a 4.6 per cent growth in revenue from payroll tax owing to record-low unemployment and increases in wages. Many businesses with a relatively small payroll tax bill will benefit from not having to file monthly returns. Filing a single annual return will save time and money for these businesses.

Funding for infrastructure projects

- The budget includes \$93 billion for infrastructure projects over the next four years.
- \$32.2 billion will be spent on public transport projects across the state.
- 23.4 billion will be spent on roads.

As the population increases, transport networks are under pressure. This spending on infrastructure will help ease some of that pressure and,

with spending on roads leading out of the city, many businesses will be encouraged to locate offices in regional areas. Improved transport will help make regional NSW more attractive to these businesses and to their employees. This also creates opportunities for infrastructure-related companies to secure more projects.

Spending on services and education

- The government has forecast spending for 4,600 additional teachers, 5,000 nurses and midwives, 3,300 other health professionals, and 1,500 more police officers over the next four years.
- The budget includes \$6.7 billion for school infrastructure, including \$917.4 million to build eight new schools and significantly upgrade 32 others.
- Smaller commitments include funding to air condition 900 schools and expand breakfast programs to 500 more schools, add 100 more counsellors or psychologists to schools, and double the number of \$100 Active Kids vouchers.

These services will be spread across the state and directly benefit the lives of everyone living in NSW. As more services are provided, more people benefit, which also provides opportunities for businesses in all sectors to grow. New schools in regional areas and to cater to students with special needs will also provide a welcome boost for families.

Spending for regional NSW

- The investment in drought support will increase to \$1.8 billion.
- The government will spend an additional \$350 million on the Farm Innovation Fund and an extra \$185 million on the drought assistance program.

- \$500 million will be spent on country bridges, local roads, and mobile blackspot towers and data centres.
- \$113 million will be spent upgrading Keepit Dam, which has a water level of one per cent.
- \$2.6 million is set aside for water reform in the Murray Darling Basin.

This budget has been referred to as a budget for the bush and increased spending on regional infrastructure and support for primary producers proves that it is. The effect for businesses will be a further closing of the gap between Sydney and regional Australia as attractive places to live and work, making it ever more viable to locate businesses outside the urban centre.

NEXT STEPS

Overall, the NSW state budget is clearly aimed at boosting the economy and creating attractive conditions for businesses and people in regional NSW. Forecast debt is unlikely to affect business confidence and unemployment remains historically low. Therefore, this is a sensible budget that will help bring NSW into alignment with other states, helping it compete for businesses and citizens more effectively.

Before acting based on any of the measures in this budget, business owners and individuals should seek personalised advice from their tax professional or business adviser.

For further information, please contact your local RSM office.

rsm.com.au/australia/offices