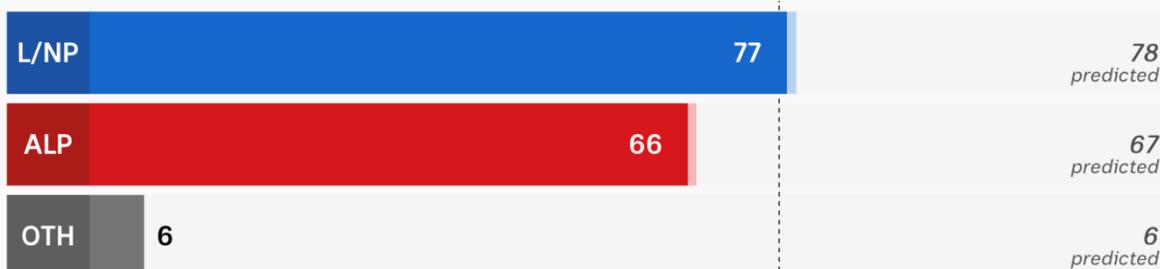




The Federal Election result and what it means for you



Dear Chamber President,

This QEAS newsletter provides a 'one stop shop' on everything you need to know on the recent federal election result and how it might impact you as a business. Prime Minister Morrison and the Coalition achieved what virtually all sensible commentators saw as impossible, winning government with a working majority. The best one-liner that summarises the narrative for the business community is Morrison went to the people of Australia saying, "I can be trusted to manage the economy. The other guy can't."

The greatest challenge now for the Coalition will be to respond to a slowing economy with the constraint of getting the budget back into the black for 2019-20 without further stalling economic activity.

The business community has certainly responded well to the election result, the ASX 200 is up and anecdotally businesses are silently relieved by the result, particularly the voiding of the ALP's workplace relations agenda (see below for Coalition policies.)

Nationwide	Vote count	Vote %	Swing	Seats		
				Won	Predicted	Changed
Coalition	5,513,453	41.8%	-0.3%	77	78	+4
Labor Party	4,418,734	33.5%	-1.3%	66	67	-4
Greens	1,319,365	10.0%	-0.2%	1	1	0
United Australia Party	448,975	3.4%	+3.4%	0	0	0
One Nation	404,584	3.1%	+1.8%	0	0	0
Others	1,097,261	8.3%	-2.3%	5	5	0

Key points that I highlight about the result are:

- Scott Morrison is deserving of leadership stability and policy cohesion within the Coalition. The disgraceful last term of office must not be repeated, with focus instead aimed at policy implementation rather than the politicians themselves.
- To that end, a key measure of success will be the extent to which the Government is able to assert national leadership to promote investment, job creation and broader community prosperity.

- Misses in the policy context for the Coalition were a commitment and action plan to lift national productivity and the development of credible, durable and well-integrated climate and energy policies. Businesses going forward will want sensible solutions to increase wages, drive down energy prices and deal with climate change.
- The result for Coalition is a very good one in the House of Representatives (78 of 150 seats) but remains problematic in the Senate. It is important that the parliament works constructively with the Government to deliver a stronger budget and economy. However this is looking unlikely as the Coalition will not have control of the Senate (only a likely 34 of 76 seats) and will have to work with a smaller and more empowered number of cross benchers.
- Much of the campaign was placing workers against employers and now is the time to end the anti-business rhetoric. What benefits business unmistakably benefits their employees. The election result gives certainty to the business community and I would anticipate business confidence will lift and in turn investment decisions to flow and hopefully employment as well.
- The LNP won 23 of the 30 seats in Queensland with a swing of 0.8 per cent, picking up both Herbert and Longman. This should be interpreted as Queenslanders will not be told by southerners what our economic direction should be (more on Queensland in the conclusion).

Queensland businesses can now get on with it, knowing that the anti-business and anti-mining agenda is a 'bust' and that there are a number of very good policies that will materially benefit them as listed below.

Economy

- The Australian economy will enter its 28th consecutive year of growth in 2019-20.
- Real GDP is forecast to grow by 2.25 per cent in 2018-19 and is forecast to grow 2.75 per cent growth in 2019-20 and 2020-21 (these estimates have been revised downwards).
- Employment growth will ease from 2.00 per cent in 2018-19 to average 1.75 per cent in 2019-20 and 2020-21.
- The unemployment rate is expected to remain at 5 per cent throughout the period to 2020-21.
- Inflation is expected to nudge into the RBA target range (2 -3 per cent) with 2.25 per cent in 2019-20 and 2.50 per cent in 2020-21.
- Wages growth will accelerate from 2.50 per cent in 2018-19 to 2.75 per cent in 2019-20 and 3.25 per cent in 2020-21.

Federal Budget

- The Budget's bottom line is projected to return to surplus in 2019-20 .
- The underlying cash balance is forecast to be a deficit of \$4.2 billion in 2018-19. ~~3.1~~ An underlying cash surplus of \$7.1 billion is then forecast for 2019-20 and the budget will remain in surplus across the forward estimates peaking at a surplus of \$17.8 billion in 2021-22.
- Payments are expected to decline as a proportion of GDP in each year of the forward estimates from 24.9 per cent of GDP in 2018-19 to 24.5 per cent of GDP in 2022-23.
- Receipts as a proportion of GDP will range between 25.0 per cent of GDP in 2018-19 to 25.4 per cent of GDP in 2021-22.
- Net debt will peak at 19.2 per cent of GDP in 2018-19 or \$373.5 billion before falling to 14.4 per cent of GDP by 2022-23.

Personal Income tax

- A \$158bn 10-year income tax cut package consisting of:
- Immediately doubling the low and middle-income tax offset to benefit 10m taxpayers including 4.5m middle-income earners who will receive the full \$1,080;
- Raising the threshold for the 19% tax rate from \$41,000 to \$45,000 in July 2022; flatten tax brackets so everyone earning between \$40,000 to \$200,000 pays a marginal rate of 30% from 2024 (was.32.5%);
- Continuing to provide cash payments to self-funded retirees as a rebate for franking credits.

Company Tax

- For businesses with a turnover less than \$50 million, the tax rate has been reduced from 30% to 27.5%. This will be further reduced by fast-tracking the company tax rate cut to 25 per cent by 2021-22 for all businesses with an annual turnover of less than \$50 million.

Negative Gearing and CGT

- Continuing to allow property investors to deduct losses to reduce their taxable income through negative gearing; and

- Continuing to provide a capital gains tax discount of 50 per cent for assets held more than 12 months, Foreign residents will lose exemptions if they sell their main residence in Australia.

Small Business and Industry

- For unincorporated businesses with a turnover less than \$5 million, the Coalition have introduced a tax discount of 8% (capped at \$1,000). This will further increase to 16% by 2021-22.
- Will extend the Instant Asset Write-Off until 30 June 2020, and will increase the threshold to \$30,000 (from \$25,000) and expanding to all small and medium-sized businesses with an annual turnover of less than \$50 million.
- Will establish a \$100 million Australian Business Growth Fund to help small and family businesses to grow through providing capital without having to give up control of their business.

Tax avoidance

- Extend the operation of the ATO's Tax Avoidance Taskforce, and to expand the Taskforce's programs and market coverage. This measure is estimated to raise \$4.6 billion in liabilities over the forward estimates period and will help ensure that multinationals, big business and high wealth individuals pay the right amount of tax in Australia.
- Will also provide \$42.1 million over four years to the ATO to increase activities to recover unpaid tax and superannuation liabilities including from large corporate entities and high wealth individuals.
- Additionally, the Coalition will strengthen the Australian Business Number (ABN) system. This measure will target ABN misuse, enhance the quality of Australian Business Register data and improve ABN holder engagement and compliance, estimated to result in an additional \$22.2 million gain to the budget over the forward estimates.

Workplace Relations

- Stop employees who were misclassified as casuals from being back-paid entitlements, preventing them "double-dipping" and accessing both the casual loading and entitlements of permanent workers.
- Create a right for casual workers to request permanent full-time or part-time work.
- Give the Federal Court power to deregister unions or disqualify officials for repeated or serious breaches of law and introduce a public interest test for union amalgamations.
- Prevent enterprise agreements mandating which fund to pay workers' superannuation into.

Skilled Migration

- Coalition will cap permanent migration at 160,000 for the next four years.
- Will introduce new skilled worker visas, covering 23,000 entrants, requiring three year's residence in the regions as a pre-condition for securing permanent residence.

Infrastructure

- Bruce Highway \$425 million including Townsville Ring Road;
- Maroochydore Road Interchange, Buxton Road and Cairns Southern Access (stage 5);
- Gateway Motorway (Bracken Ridge to Pine River) \$800 million;
- Warrego Highway \$320 million;
- M1 (Daisy Hill to Logan Motorway) \$500 million;
- Cunningham Highway projects \$170 million;
- Gladstone Port Access Road \$100 million;
- Cairns Ring Road \$287 million;
- Urban Congestion Fund \$379 million including Lindum Crossing, Indooroopilly Roundabout, Mooloolaba Access Upgrade, Ipswich Motorway, M1 Pacific Motorway, Gympie Arterial Road, Beaudesert Road- Mt Lindesay Highway, Panorama Drive – Wellington St, Commuter Car Park Upgrades, Newnham Road – Wecker Rd Intersection Upgrade;
- Roads of Strategic Importance \$1 billion including Cooktown to Weipa, Cairns to NT Border, Mount Isa to Rockhampton, Townsville to Roma, Shute Harbour Road, Yeppoon Road Duplication, Toowoomba to Ipswich, Toowoomba to Seymour, Quay Street Bundaberg, Bargara Road Upgrade, Pialba Torbanlea Road Upgrade, Urraween/Boundary Road Extension, Isis Overtaking Lane; and

- The introduction of Townsville and SEQ City Deals

Vocational Education and Training

- Investing over \$525 million to upgrade the vocational education and training (VET) sector. The 'Delivering Skills for Today and Tomorrow' package will:
- Deliver up to 80,000 new apprentices in occupations experiencing skill shortages through an Additional Identified Skills Shortage Payment (employers will be paid \$15,000 to take on new apprentices);
- Partner with industry in developing new qualifications to meet the demand for skills in the future through national Skills Organisations;
- Deliver foundational literacy, numeracy and digital skills across Australia;
- Connect schools, local industries and young people in areas of high youth unemployment to prepare them for working life, through ten new Training Hubs;
- Drive long-term reform of VET by providing consistent national leadership through a National Skills Commission.
- \$2,000 payment to new apprentices.
- In addition the Coalition will invest a further \$60 million to lower the cost of doing business for small businesses and help ensure approx 3,200 young Australians in rural and regional areas have the opportunity to secure an apprenticeship by expanding the Australian Apprentice Wage Subsidy Trial by doubling its size. Subsidies will be provided at 75 per cent of the apprentice's award wage in the first year, followed with 50 per cent in the second year and 25 per cent in the third year. The wage subsidy supports the engagement of eligible new full-time apprentices at the Certificate III and IV levels in occupations on the National Skills Needs List in regional & rural communities.

Energy and Climate change

- Provide \$284 million for a one-off, income tax exempt payment to 3.9 million Australians to assist with their next power bill and cost of living expenses. The payment of \$75 for singles and \$125 for couples will be made to those eligible for certain social security payments.
- Target to cut emissions by 26 to 28 per cent by 2030 based on Australia's commitment under the Paris agreement.
- Will spend \$2 billion on measures to cut emissions in an extension of the Government's direct action plan.
- Invest \$1.6 billion in programmes that will secure more generation with a shortlisted 12 major baseload energy projects for assessment(see the full list at www.pm.gov.au/media/delivering-affordable-and-reliable-power).

The Opposition

Labor leader-elect Anthony Albanese will this week become the official Opposition Leader after an uncontested leadership ballot. The caucus will meet in Canberra later this week to elect a new deputy and Mr Albanese will also select a frontbench to lead Labor in Opposition.

Closing and implications for the Queensland Government

Obviously Adani by default looks to be one of the biggest winners from the federal election result. The implications for the Queensland Government are considerable that I will cover more fully as we approach the State Budget on the 11th June 2019. In short, the election result also provides another headache for the Queensland Government through Brisbane's cross river rail being unfunded.