

# IR POLICY AND GOVERNANCE UPDATE



## 2025 AUSTRALIAN BUDGET – INDUSTRY REPORT

### INTRODUCTION

Treasurer Dr Jim Chalmers delivered the final full Federal Budget ahead of the 2025 election, outlining five core priorities:

- > Cyclone Alfred recovery
- > Cost-of-living relief
- > Medicare investment
- > Education funding
- > Economic productivity

This pre-election budget primarily repackages existing commitments. Key headline:

- > **2024–25 deficit:** \$27.6B
- > **2025–26 forecast deficit:** \$42.1B
- > Deficits expected for the foreseeable future due to lower commodity prices, weak growth, and rising government expenditure.

### VMA BUDGET PRIORITIES TABLED

- > Extension of the \$20K instant asset write-off (returns to \$1K from July unless extended)
- > Broader response to skills shortages
- > Business incentives
- > Taxation reform
- > National productivity measures

### ECONOMIC CONTEXT

- > Federal spending pressures remain high: NDIS, health, aged care, defence
- > **Cash rate:** 4.10% (cut in Feb 2025; first since 2020)
- > **AUD:** Fell from 0.69 (Sep 2024) to ~0.62 (Mar 2025)
- > **Wage Price Index (Dec 2024):** +0.7% quarter, +3.2% annual
- > **Unemployment:** 4.1% (Feb 2025), forecast to rise to 4.2%
- > Sluggish global demand and geopolitical tensions persist

# IR POLICY AND GOVERNANCE UPDATE



## KEY BUDGET OUTCOMES

### BUSINESS MEASURES

- > No major new initiatives for SMEs or broader business sector
- > Energy rebate extended: small businesses eligible for up to \$150
- > Proposed ban on **non-compete clauses** for employees earning <\$175K

#### Comment:

Little targeted business support. Proposed non-compete ban adds regulatory burden and overlooks established legal precedents.

### EDUCATION & TRAINING

**\$723M over four years (from 2025–26) for apprenticeships**, including:

- > \$627M for expanded Key Apprenticeship Program (e.g. construction sector)
- > \$78M for interim Apprenticeship Incentive System extension
- > \$11M to increase Disability Apprentice Wage Support
- > \$7M to boost Living Away From Home Allowance
- > Continued 10,000 annual fee-free TAFE placements
- > 20% HECS-HELP debt relief, tied to CPI/WPI (whichever lower)

**Additional \$4.7M to ASQA** for compliance and fraud prevention in the VET sector.

#### Comment:

These investments target known gaps in VET delivery and capacity but fall short of broader workforce strategy reform.

### MANUFACTURING & INDUSTRY – *Future Made in Australia*

- > Additional \$20M for the "Buy Australian" campaign
- > Existing \$22B commitment over 10 years for hydrogen, minerals, and green metals

#### Comment:

Limited scope. Greater industry diversity and commercialisation pathways needed beyond clean energy sectors.

### INFRASTRUCTURE – MAJOR ALLOCATIONS

- > \$7.2B for Bruce Highway upgrade (QLD)

# IR POLICY AND GOVERNANCE UPDATE



- > \$2.4B for Whyalla steelworks
- > \$2B in credits for green aluminium production
- > \$80M for Rex regional airlines
- > \$1.2B for Cyclone Alfred recovery
- > \$2.3B for South West Sydney rail
- > \$3B for VIC road/rail
- > \$350M Kwinana Freeway (WA)
- > \$50M Monaro Highway (ACT)
- > \$200M Arthur Highway (TAS)
- > Stuart Highway upgrades (NT)

## Comment:

Infrastructure investment remains essential given Australia's geography and recent disaster impact.

## TAXATION

- > **Income tax cuts** from 1 July 2026
- > **Medicare levy threshold increased**

## Comment:

While positive for household spending, these cuts reduce revenue by \$17.1B, adding fiscal strain.

## OVERVIEW

The 2025 Budget delivers few new business-facing initiatives. Core structural issues – workforce capability, taxation, productivity – remain under-addressed. Regulatory changes such as the non-compete clause ban add compliance pressure, and while infrastructure and training investments are welcome, they lack scale and sector breadth.

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## CONTACT

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