

VACC Federal Budget Summary – 2020/21

Dear Member

Last night the Treasurer handed down what is the most important Federal Budget in recent history. This Budget aims to drive Australia out of the COVID-19 induced recession, by stimulating spending, employment and investment across the economy to a degree not seen since the Second World War.

These spending measures will result in a projected budget deficit of **\$213.7 billion** or 11% of GDP for 2020/21, and a Net Public Debt of **\$703 billion**. Whilst these are record-levels of public debt, servicing this debt has never been cheaper, with low interest rates set to continue for many years.

For automotive businesses and the business community in general, key measures announced in the Budget include the following:

Apprenticeships: Businesses and group training organisations who take on a new Australian apprentice on or after 5 October 2020 will be eligible for a 50% wage subsidy until a cap of 100,000 is reached. This applies to a new or recommencing apprentice or trainee undertaking a Certificate II or higher for the period up to 30 September 2021, up to \$7,000 per quarter. Payments are made quarterly in arrears, with first claims available from 1 January 2021.

JobMaker Hiring Credit (wage subsidy scheme): Businesses who hire eligible young people will receive \$200 a week if they hire a person aged 16 to 29 years, or \$100 a week if they hire an eligible young person aged 30 to 35. There are no restrictions on the industries where these subsidies will be available, however, a minimum number of 20 hours a week must be worked. The credit will be available for 12 months from the date of employment. Eligible job seekers are those who are under 35 and have been in receipt of JobSeeker, Youth Allowance (Other) or Parenting Payment for one of 3 months prior, and employers will claim the payment quarterly in arrears.

Temporary full expensing: From 6 October 2020 to 30 June 2022, businesses with annual turnover up to \$5 billion will be able to write off the full cost of eligible assets of any value in the year they are installed, provided they are used by 30 June 2022. They will also extend to the cost of improvements to existing eligible depreciable assets made in this period. SMEs with a turnover between \$50-500 million will also be able to instantly deduct the full cost of second-hand assets that cost less than \$150 million. These assets however must be purchased by 31 December 2020 and be used or installed by 30 June 2021. For small businesses (aggregated turnover less than \$10 million) they can deduct the balance of their simplified depreciation pool at the end of the income year, while full expensing applies.

Extending the instant asset write-off: Government is extending the instant asset write off that had already been expanded as part of its COVID-19 response. Businesses with turnover of up to \$500 million can instantly write-off multiple assets worth up to \$150,000 each.

Loss carry back: To help boost business cash flows, government will allow businesses with turnover of up to \$5 billion to offset losses incurred up to 2021-22 against previous profits made in or after 2018 19. Eligible companies may elect to receive a tax refund when they lodge their 2020 21 and 2021 22 tax returns.

R&D incentives: The government is providing an additional \$2 billion through the R&D Tax Incentive. Under the new package, the proposed \$4 million cap on annual cash refunds will not proceed, instead small companies (with aggregated annual turnover of less than \$20 million) will see the refundable R&D tax offset set at 18.5% above the claimant's company tax rate.

National Digitisation Plan: Overall, the Government is investing a further \$419 million to create a national directory. This means small businesses will be able to register for an ABN, ACN or licence in just one place. It will also invest \$256 million in the expansion of its Digital Identity system over the next two years. Around \$52 million is earmarked for cyber-security and digital capability program that will help small business.

Small business tax concessions: Tax concessions currently available to small business with annual turnover up to \$10 million have been extended to businesses with turnover up to \$50 million. These firms will have access to up to 10 small business tax concessions, including deductions of certain start-up and prepaid expenses, exemptions from the 47% FBT tax on car parking and multiple work-related portable electronic devices, such as phones or laptops.

Mental health aid for small business owners: Government will provide \$6.5 million in 2020-21 to support mental health and wellbeing of small businesses impacted by COVID-19. This includes a \$4.3 million budget commitment to expand current mental health program for small business owners which will provide small business owners with access to free one-on-one telehealth sessions with specially trained mental health coaches.

Bringing forward personal income tax cuts: Tax cuts scheduled to start in July 2022, are being brought forward and backdated to July 2020. This will deliver an immediate boost to household budgets and expected to result in future spending increases on goods and services across all businesses, including SMEs.

Modern Manufacturing Strategy: Investment of \$1.5 billion over five years to improve competitiveness, scale and resilience in Australian manufacturing. The strategy will focus on six areas: resources technology and critical minerals processing, food and beverages; medical products, recycling and clean energy, defence and space. The strategy includes: \$1.3 billion to establish the Modern Manufacturing Initiative; \$107.2 million for supply chain vulnerabilities; \$52.8 million for manufacturing modernisation; \$30 million to improve competitiveness; and \$20 million to Industry Growth Centres.

Insolvency reforms: Commitment made to changes bankruptcy and insolvency laws that put the small business owner in control of insolvency actions - effectively giving them a lifeline to trade their way out of insolvency. Where that is not possible, a simplified liquidation process will ensure greater returns to creditors and employees.

Changes to responsible lending laws: Reforms will make the credit application process easier for consumers and allow eligible borrowers to obtain credit faster, improve competition by making it easier for consumers to switch lenders and enhance access to credit for small business. This is expected to improve small business access to affordable bank loans to fund business recovery and growth activity in a post COVID-19 environment.

Migration: The Government will maintain the 2020-21 Migration Program planning level at 160,000. Family stream to increase to 77,300 (from 47,732) on a one off basis in the skilled stream priorities of Employer sponsored, global talent, business innovation and investment program. There will also be refunds and waivers of visa application charges for temporary visa holders affected by COVID-19 travel ban. Visa charges for migration under the Business innovation and Investment Program (BIIP) however will increase by 11.3% from July 2021.

Making Victoria's business support grants non-assessable, non-exempt income for tax purposes: The Government will make the Victorian Government's business support grants for small and medium business as announced on 13 September 2020 non-assessable, non-exempt (NANE) income for tax purposes.

Supporting Regional Australia: The Government will provide \$552.9 million over four years from 2020-21 (and \$16.6 million in 2024-25 and \$16.1 million per year ongoing) for a package of measures to support regional Australia to recover from the impacts of COVID-19 and recent natural disasters, build resilience to future economic shocks and support long term economic growth. This includes:

- \$30.3 million over two years from 2020-21 to extend Round One of the Regional Connectivity Program to support the delivery of reliable, affordable and innovative digital services and technologies in regional Australia.
- \$207.7 million over five years from 2020-21 (including \$0.5 million in 2024-25) for round five of the Building Better Regions Fund to support investment in community infrastructure and capacity building projects in regional areas, including \$100.0 million for tourism-related infrastructure projects.
- \$100.0 million over two years from 2020-21 to facilitate Regional Recovery Partnerships with states, territories and local governments to support recovery and growth in 10 priority investment regions.

JobMaker Plan — Skills Reform Package: The Government will provide \$263.0 million over four years from 2020-21 to continue to improve the quality of the Vocational Education and Training (VET) system and to respond to the 2019 Expert Review of Australia's VET System.

The package includes:

- \$52.3 million over three years from 2020-21 to expand the Skills for Education and Employment program to support additional places for basic foundational language, literacy and numeracy skills training.
- \$29.6 million over four years from 2020-21 to support the ongoing role of the National Careers Institute to simplify and strengthen career information, promote VET pathways, and enhance partnerships between industry, employers, schools and tertiary providers.
- \$1.7 million over four years from 2020-21 for the development of a National Skills Priority List for Apprenticeships to replace the current three lists with a single list based on a skills shortage methodology.
- The package also includes \$27.3 million over five years from 2020-21 to enhance the science, technology, engineering and mathematics (STEM) skills of young Australians.

JobMaker Plan — expanding and diversifying trade: The Government will provide \$6.6 million over four years from 2020-21 to assist the recovery of Australian businesses from the impacts of COVID-19 by increasing the share of two-way trade covered by free trade agreements and by expanding regional digital trade. This measure builds on the ongoing free trade agreement negotiations with key trading partners, including the European Union and the United Kingdom.

Advanced Manufacturing Facility and Vehicle to Grid Trial: The Government will provide \$5.0 million in 2020-21 to establish an Advanced Manufacturing Facility in South Australia to facilitate the manufacturing and assembly of electric vehicles, and for a bi-directional vehicle-to-grid trial in South Australia to examine the concept and operation of systems which support solar home charging, grid services and virtual storage infrastructure.

JobMaker Plan — Infrastructure Investment — Victoria: The Government will provide \$1.1 billion from 2020-21 for priority road and rail projects in Victoria to support economic recovery and jobs. This funding includes:

- \$320.0 million for the Shepparton Rail Line Upgrade
- \$292.0 million for Barwon Heads Road
- \$208.0 million for the Warrnambool Rail Upgrade — Stage 2
- \$104.0 million for the McKoy Street — Hume Freeway Intersection Upgrade
- \$84.5 million for Hall Road
- \$31.0 million for Narre Warren North Road
- \$30.0 million for the Western Rail Plan

- \$27.2 million for the Western Port Highway
- \$22.5 million for South Road.

The Government will also bring forward \$610.0 million to accelerate existing transport infrastructure projects in Victoria, including:

- \$605.0 million for the South Geelong to Waurn Ponds Rail Upgrade — Stages 2 and 3.
- \$5.0 million for the Outer Metropolitan Ring / E6 Corridor Preservation.

Growing Australia's Waste and Recycling Capability Through Cooperative Research Centres

Projects: The Government will provide \$10.0 million over four years from 2020-21 to support industry-led collaborative research projects through the Cooperative Research Centres Projects program to develop innovative solutions for recycling and reuse of plastics, paper, tyres and other problematic materials and hard-to-recycle waste.

COVID-19 Response Package — freeze and maintain the Heavy Vehicle Road User Charge:

The Government will maintain the Road User Charge rate at the 2017-18 level of 25.8 cents per litre for one year.

VACC Position

VACC congratulates the Federal Government on the 2020/21 Budget and welcomes these measures aimed at reviving business confidence, investment and growth, particularly in Victoria which has been affected the most.

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