

Treasurer Josh Frydenberg announces **“There is no economic recovery without a jobs recovery. There is no budget recovery without a jobs recovery”.**



#### Cash Deficit

Underlying cash deficit is forecast to reach \$214 billion in 2020-21 with net debt to peak at 44 per cent of GDP in June 2024.



#### Personal tax cuts

Bringing forward previously legislated personal tax cuts to start from 1 July 2020. Additional one-off benefit in 2020-21 provided for low to middle income tax earners worth \$1,080.



#### JobMaker

Hiring credit is available to employers for each additional job created until 7 October 2021. Credit is provided for JobSeekers aged 16 to 35 years.



#### Temporary full expensing

Businesses with an aggregated turnover up to \$5 billion can deduct the full cost of eligible capital assets acquired from 6 October 2020 and first used or installed prior to 30 June 2022.



#### Loss carry back

Companies with an aggregated turnover up to \$5 billion can carry back tax losses incurred in 2020 to 2022 income years to offset tax paid in the 2019 or later income years.



#### Innovation

Proposed R&D amendments refined and deferred to 1 July 2021.



#### Fringe benefits tax

Retraining activities provided to employees will be exempt from FBT. FBT record keeping amendments will be introduced to allow employers to use existing corporate records rather than prescribed records.



#### Access to tax concessions

Expanding access to a range of small business tax concessions by amending the annual turnover threshold from \$10 million to \$50 million.



#### Insolvency measures

New formal debt restructuring process for small businesses, providing an efficient mechanism for firms to restructure their existing debts.



#### Infrastructure

Government to invest additional \$14 billion in new and accelerated infrastructure projects over the next 4 years. Small scale Road Safety upgrades and local council road, footpath and street lighting programs receive a total of \$3 billion.



#### Manufacturing

Government to invest \$1.3 billion towards the manufacturing sector with major focus areas including defence, space, medicine, technology and energy.



#### Health and Human Services

Record funding for hospitals, schools, child care, aged care and disability services. An additional \$3.9 billion for the NDIS and \$5.7 billion for mental health services. Access to more than 80 million doses of potential COVID-19 vaccines.



#### Aged Care

Aged care funding up \$2.2 billion to improve skills in the aged care workforce, including \$1.6 billion for 23,000 additional home care packages. Commitment to provide a comprehensive response to the Royal Commission's final recommendations.



#### Education

100,000 new apprenticeships and \$1 billion in university research funding headline a focus on skill shortages, youth unemployment and financial sustainability.



#### Super: eligible rollover funds

Measure to prevent superannuation funds transferring new amounts to eligible rollover funds will be deferred by 12 months.

# Introduction

To paraphrase the Prime Minister, this year's Budget is one of the most important, if not the most important, since the Second World War. The 2020-21 Federal Budget illustrates the enormity of the task of recovery, unveiling unprecedented spending and deficit levels over the medium term.

Investment and employment will continue to lag below pre-pandemic levels for some time. For most, it will be a *long road back* to 'normal', or more likely a 'new normal', in terms of health, income, or employment.

Budget initiatives – which transition us from emergency support back to job creation and building confidence – are vital. We welcome measures which make our economy more agile and competitive such as tax reform, skills development, infrastructure, innovation, red tape reduction, and enabling investments in essential services such as health. The Budget sets the economy in the right direction on these matters.

2020 is an extraordinary period of challenge and change. Governments, businesses and families have had to adapt in many ways, as the health and economic impacts of the pandemic play out.

Strong leadership and broad collaboration have been more important than ever, and we have seen wonderful examples of this in action across all levels of Government, in industry and amongst workers – each seeking to act in the national interest. This true sense of humanity and 'Team Australia' spirit will be essential on the long road back.

Australian organisations have also rapidly undertaken digital transformation, whether delivering government support at record breaking speed, pivoting businesses towards e-commerce, moving workplaces from offices to homes, or in many (many!) online meetings.

The rapid changes required in response to the pandemic will help set us all up to constantly adapt at speed to an ever-changing world.

Each year Deloitte prides itself on providing overnight, rich insights into what the Federal Budget will mean for the Australian economy, businesses and individuals. I hope you enjoy this 2020-21 edition of our Deloitte Federal Budget Report.



**Richard Deutsch**  
Chief Executive Officer

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**Brett Greig**  
Managing Partner – Tax & Legal

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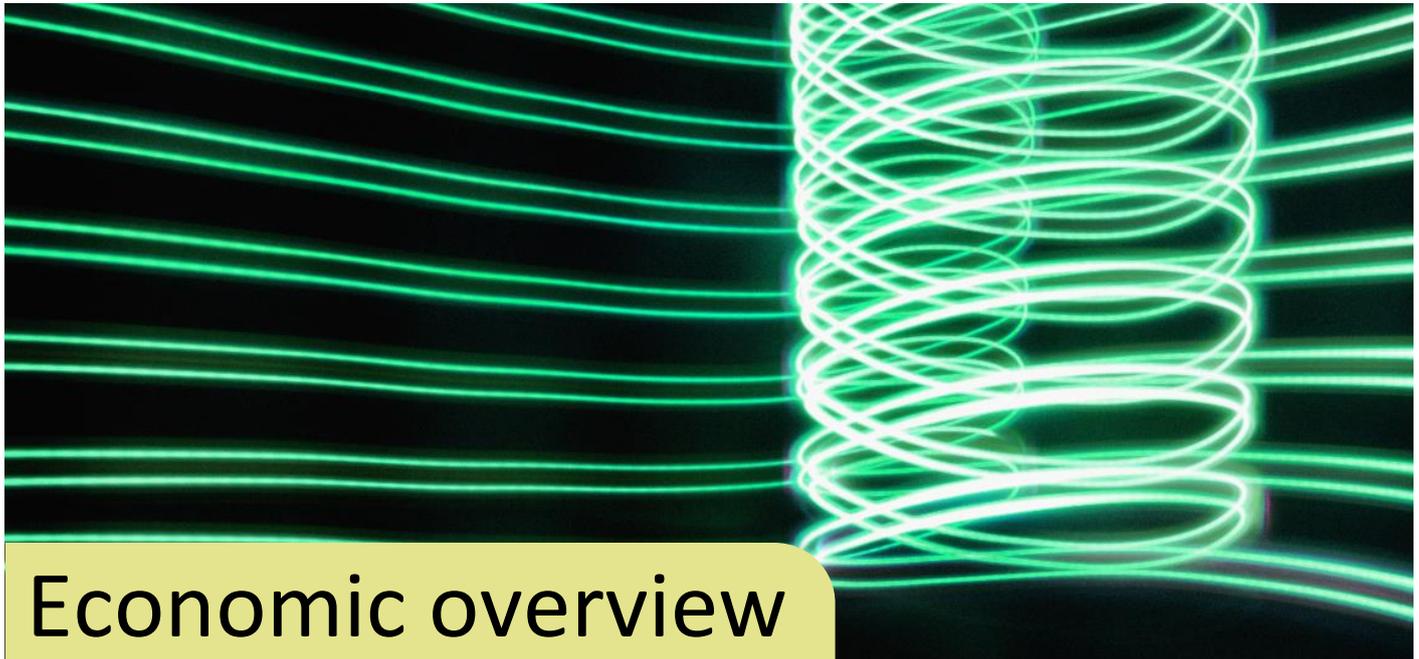
**Richard Deutsch**  
Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Brett Greig'.

**Brett Greig**  
Managing Partner | Tax & Legal

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## Key metrics

- The underlying cash deficit is forecast to be \$214 billion in 2020-21, \$29 billion worse than forecast in the July 2020 Economic and Fiscal Update, and a staggering \$220 billion worse than the pre-COVID forecast released in late 2019 in the December 2019 Mid-Year Economic and Fiscal Outlook (MYEFO)
- The Budget unveiled massive hits to the tax take, both in company tax (as profits dive) and personal tax (with jobs lost and wage growth virtually halting)
  - 2020-21 revenues are forecast to be \$55 billion lower than the (pre-COVID) projections in MYEFO
- Yet the moves in spending dwarf those in taxes. The increase in spending is four times bigger relative to national income than in the global financial crisis (GFC)
  - In the GFC, spending rose by 2.4 percentage points of income in the two years to 2009-10
  - Spending is rising by 9.5 percentage points of income in the two years to 2020-21
- Net debt is forecast at \$900 billion in 2022-23. In the December 2019 MYEFO released pre-COVID, Treasury had projected net debt to be \$361 billion in 2022-23
- Yet it is what that debt costs that's much more important: Treasury now forecasts \$17.3 billion in interest payments in 2022-23. And, strikingly, that's less than the \$19.0 billion we paid in 2018-19
- So the defence of our lives and livelihoods is much cheaper than most realise
- Treasury has pencilled in a rapid recovery, with a vaccine fully in place in Australia by late 2021, allowing the economy to average growth of 3½ per cent in the next three financial years
- And, in turn, Treasury projects that rebound in growth to generate enough jobs to bring the unemployment rate down to 5½ per cent by mid-2024
- Yet the economic costs will linger: Treasury projects both population and national income to permanently fall short of their pre-COVID expectations.



**Chris Richardson**  
Deloitte Access Economics

## Federal Budget 2020-21: Jobs, jobs, jobs

The coronavirus crisis has already ripped hundreds of thousands of jobs out of the Australian economy. And there's three additional challenges.

First, the virus remains a threat.

Second, a range of emergency supports will run out over the next six months (wage subsidies, extra unemployment benefits, early access to super, and a range of mortgage and rent deferrals). That says unemployment will go up from here.

And, finally, higher unemployment is a particular problem, because joblessness goes up much faster than it comes down.

So once the health side of this crisis settles, the economic scars will linger. That's why the [Treasurer](#) reframed the Budget rules a fortnight ago. Only once unemployment is back "*comfortably back under 6 per cent*" will the Government start to worry about the deficit again.

Until then, the focus of Budget policy is aimed at driving unemployment down as fast as it can.

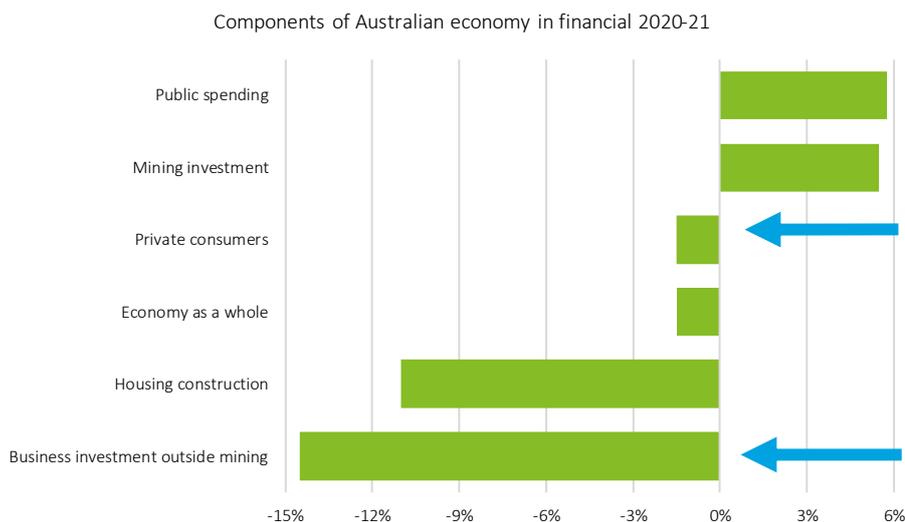
So the Government's aim is to fix the economy first, and deal with the deficit later. That's sensible, not least as the best medicine for a wounded Budget is a healthier economy.

The upshot has been a raft of Budget decisions to tip new dollars into the economy, covering everything from the bringforward of personal tax cuts, to subsidising the wages of the unemployed when they get a job back, through to allowing most businesses to immediately expense their capital spending.

## Recession now. And then what?

Will it work? Treasury forecasts the economy to go backwards this financial year by 1½ per cent. That's less than the 2¼ per cent fall we see.

## Treasury forecasts weakness in business investment



Yet we'd agree with Treasury's assessment (seen in the chart) that the weakest part of the Australian economy right now is no longer consumer spending. Rather, it is business investment – the willingness of business to undertake capital spending today with the aim of making a bigger profit tomorrow. That's the economic driving behind decisions such as the shift to immediate expensing of capex for most businesses, as well as the temporary loss carry back provisions.

It's beyond this financial year that the official forecasts may be seen as more controversial. Treasury has pencilled in a sharp recovery, with the economy projected to average growth of 3½ per cent in the next three financial years. And, in turn, Treasury projects that rebound in growth to generate enough jobs to bring the unemployment rate down to 5½ per cent by mid-2024.

These official forecasts are already generating more heat than light, so you'll be glad to hear they're both widely misunderstood and relatively achievable. The Prime Minister made a (pre-Melbourne second wave) call that *"we have a plan to lift growth, not just for the next few months, but the next five years. We need to lift our economic growth rate by more than 1 percentage point above trend to beat the expected pre-COVID-19 GDP by 2025, to catch back up to where we were before COVID hit"*.

Many economists think that's out of reach, with one [survey](#) showing that the next four years were, on average, forecast to grow by just 2.4 per cent a year. So you may be happy to hear that our own average forecast growth rate for the next three financial years – the period projected by Treasury in the Budget – at a very healthy 4½ per cent a year.

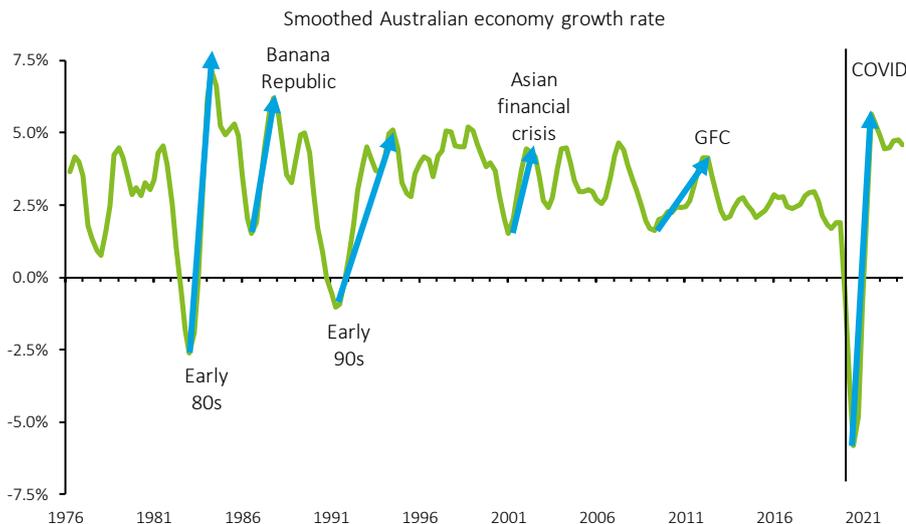
So why do both Deloitte and Treasury expect such a sustained period of good news? (We forecast a larger upfront hit, but also see a larger subsequent recovery.)

Over the last half a century, Australia's economic growth:

- Accelerated the most in the recovery from the recession of the early 1980s
- The second fastest acceleration in growth followed the recession of the early 1990s
- The third fastest came after the Banana Republic crisis of 1986, the fourth fastest after the Asian financial crisis at the end of the 90s, and the fifth fastest came after the global financial crisis in 2009.

See the pattern there? Bad times are followed by good times – as shown in the following chart (which uses Deloitte Access Economics' forecasts, but they're broadly similar to the official ones).

### It's always darkest before the dawn



Yes, recessions are terrible. Many jobs are lost, shops and offices are empty. Factories, mines and trucking companies aren't working to capacity.

Yet those are the same reasons why growth rebounds in recoveries. Economies can grow faster for those very same reasons – there are unemployed people who can be employed again, there are empty airplanes and shops and offices that can be filled, and there are businesses that can start to work to their full capacity again.

The underlying equation here is simple: the bigger the downturn, the bigger the recovery.

That's an equation we need to keep front of mind in assessing the achievability of the economic forecasts that Treasury has just released. Yes, this is a very big downturn. But that's the very reason why there's a very big recovery out there sometime soon.

In fact there's a pretty good case that the economy's recovery is already starting right outside your window.

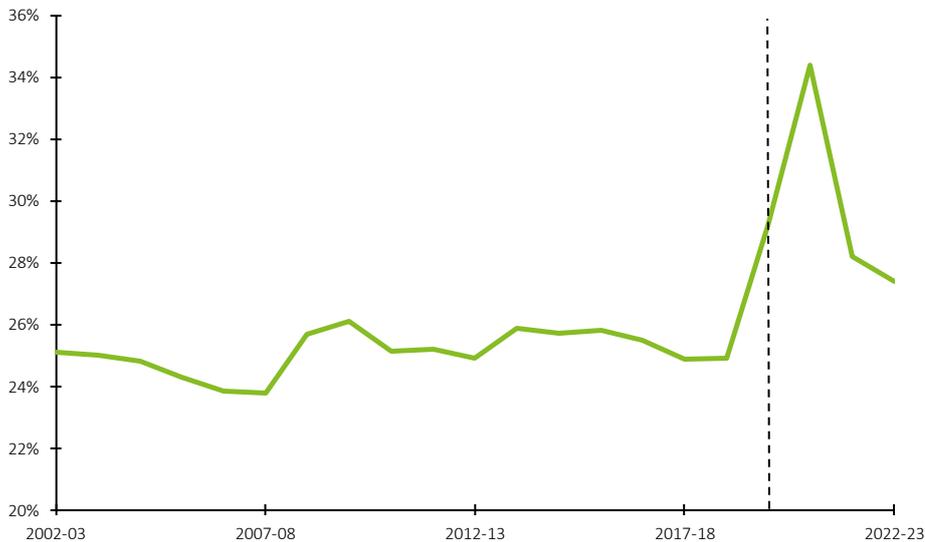
Recessions are terrible, but recoveries are big opportunities. Some of the world's most successful businesses were built in the ashes of recessions: Microsoft, Apple, Netflix, AirBnb, FedEx, HP, GE, IBM.

It's important that Australia is ready for that – and that your organisation is ready too.

## Spending is where the action is

Many announcements in the Budget focussed on tax. But for now most of the action is still in spending. Thanks to policies such as JobKeeper and JobSeeker, the increase in Australian government spending is relatively bigger than was the case to defend the nation during the global financial crisis.

## Spending has leapt



Four times bigger in fact:

- In the GFC, spending rose by 2.4 percentage points of income in the two years to 2009-10
- Now, spending is rising by 9.5 percentage points of income in the two years to 2020-21.

That spending is doing a brilliant job of holding the Australian economy together at a vital moment of need. As the Finance Minister so correctly noted, [“what was the alternative?”](#).

Australia's ability to fight for our lives and our livelihoods was made easier, both economically and politically, by our relatively strong position: the Federal Budget was balanced and debt was low when the crisis hit. That's been marvellous. Even better still:

- We got the money into people's pockets faster than during the global financial crisis
- Our success against the virus has cut the cost of our emergency measures – a happy virtuous cycle
- The fall in interest rates is so big that ongoing interest costs are much lower than people realise.

## The tax take is taking a hammering too

The Budget unveiled massive hits to the tax take, both in company taxes (as profits dive) and in personal taxes (with jobs lost and wage growth – already slow – virtually halting).

Atop that, new policies – including the bringforward of personal tax cuts to allowing most businesses to immediately expense their capital spending – will also weigh on the tax take.

No wonder then that the deficits are gargantuan and that the debt is soaring. Pre-COVID (in the MYEFO released in late 2019), Treasury had projected net debt to be \$361 billion in 2022-23.

Not surprisingly, its updated estimate is \$539 billion higher, at \$900 billion.

Ouch. Yet Treasury's newly updated estimate of 2022-23 interest payments is \$17.3 billion. And, strikingly, that is less than the \$19.0 billion we paid in 2018-19.

That's remarkable, but it's not magic. Although the increase in debt will tend to hog the headlines, economists look to the combination of debt and interest rates to assess the sustainability of policy costs.

Luckily for us, interest rates for government borrowing have collapsed, and the Reserve Bank has strongly signalled that they'll stay nailed to the floor for some years yet.

So the cost of fighting for our lives and our livelihoods has – so far – been much cheaper than most people realise.

In turn, that confirms Deloitte Access Economics' strong view that, although the Budget has been badly bent by the coronavirus crisis, it isn't broken.

## It's still a helluva hangover

The Government has mapped out an economic and budgetary recovery from the coronavirus crisis. And that's to be commended.

Yet there will be a considerable hangover here. With international borders set to be closed for some time further yet, Treasury now projects Australia's population in mid-2024 to be more one million people smaller than its pre-COVID expectations. And, largely because of that, it now sees the economy in mid-2023 as around 5 per cent smaller than its pre-COVID expectations.

COVID has certainly come at a big cost.



## Key announcements

- Tranche 2 of the Personal Income Tax Plan has been brought forward by two years to commence on 1 July 2020
- The Low and Middle Income Tax offset (LMITO) due to be repealed when the Tranche 2 tax cuts were operational, will be retained for the 2020-21 income year
- Tranche 3 of the personal Income tax plan remains unchanged and commences in 2024-25 as legislated
- The Medicare Levy will remain unchanged at 2 per cent of taxable income.
- Any changes to the Coronavirus supplement post 31 December 2020 will be decided towards the end of the calendar year
- Migration Program planning levels remain the same as 2019-20 financial year at 160,000
- The Government is seeking to maximise the economic benefits of the Migration Program, and enhance the responsiveness of the program to evolving health and economic challenges
- Fee refunds and waivers will be provided to current visa holders who were unable to travel to Australia as a result of border closures, to encourage travel, once permissible.



**Shelley Nolan**  
Global Employer Services

## Changes to the personal income tax thresholds

From 1 July 2020, the personal tax rates and thresholds will change as follows:

- The top threshold of the 19 per cent personal income tax bracket will increase from \$37,000 to \$45,000
- The top threshold of the 32.5 per cent personal income tax bracket will increase from \$90,000 to \$120,000
- Instead of the LMITO being repealed, it will be retained for one year (2020-21)
- The low income tax offset will also increase two years ahead of schedule from \$445 to \$700.

From 1 July 2024-25, the personal tax rates and thresholds (as already legislated) will change as follows:

- The 32.5 and 37 per cent marginal tax rate drops to 30 per cent and will apply to income ranges between \$45,001 and \$200,000
- The bottom threshold of the 45 per cent personal income tax bracket will increase from \$180,000 to \$200,001.

The personal tax rates as currently legislated are as follows:

Rate (%)	Current law Income range (\$)	From 1 July 2022 Income range (\$)	From 1 July 2024 Income Range (\$)
Tax free	0 – 18,200	0 – 18,200	\$0 - \$18,200
19	18,201 – 37,000	18,201 – <b>45,000</b>	\$18,201 – \$45,000
30			\$45,001 - <b>\$200,000</b>
32.5	37,001 – 90,000	<b>45,001 – 120,000</b>	
37	90,001 – 180,000	<b>120,001 – 180,000</b>	-
45	>180,000	>180,000	<b>\$200,001+</b>
Low and middle income tax offset	Up to 1,080	<b>0</b>	0
Low income tax offset	Up to 445	<b>Up to 700</b>	Up to \$700

The personal tax rates as proposed in the Budget will change (subject to the passage of legislation) as follows:

Rate (%)	Current law Income range (\$)	From 1 July 2020 Income range (\$)	From 1 July 2024 Income Range (\$)
Tax free	0 – 18,200	0 – 18,200	\$0 - \$18,200
19	18,201 – 37,000	18,201 – <b>45,000</b>	\$18,201 – \$45,000
30			\$45,001 - <b>\$200,000</b>
32.5	37,001 – 90,000	<b>45,001 – 120,000</b>	
37	90,001 – 180,000	<b>120,001 – 180,000</b>	-
45	>180,000	>180,000	<b>\$200,001+</b>
Low and middle income tax offset	Up to 1,080	<b>Up to \$1,080</b>	0
Low income tax offset	Up to 445	Up to 700	Up to \$700

IT is expected that the Government will seek to pass legislation to amend the start date for Tranche 2 (to 1 July 2020) as soon as possible so that the Commissioner will issue updated PAYG tables so that the cash benefit of the tax cuts flows through to pay packets quickly.

### Low and middle income tax offset (LMITO) and low income tax offset (LITO)

In 2020-21, the maximum non-refundable LMITO will continue as follows:

Taxable income	Maximum offset
Up to \$37,000	Up to \$255
\$37,001 to \$48,000	\$255 + 7.5 cents per dollar of income over \$37,000
\$48,001 to \$90,000	\$1,080
\$90,001 to \$126,000	\$1,080 less 3 cents per dollar of income over \$90,000

As previously legislated, the LMITO's function was to broadly bring forward the tax cuts for middle income earners which were to commence from 1 July 2022, using an offset. The LMITO was to be repealed when the Tranche 2 rate cuts were operative.

With the Tranche 2 rate cuts being brought forward, the Government has decided not to repeal the LMITO for one year (2020-21), broadly providing certain middle income earners with a temporary "super-charged" tax rate cut.

As mentioned, the LITO will rise from \$445 to \$700 in 2020-21. This was originally legislated to rise in conjunction with the Tranche 2 tax cuts in 2022-23.

Taxable income	Maximum offset from 1 July 2022
Up to \$37,500	\$700
\$37,501 to \$45,000	\$700 less 5 cents per dollar of income over \$37,500
\$45,001 to \$66,667	\$325 less 1.5 cents per dollar of income over \$45,000

## Coronavirus supplement

On 21 July 2020, the Government announced changes to the Coronavirus Supplement. The key announcements were as follows:

- The previous arrangements for the Coronavirus Supplement of \$550 per fortnight ceased on 24 September 2020
- For the period 25 September 2020 to 31 December 2020, the Coronavirus Supplement continues at a lower rate of \$250 per fortnight.

The Treasurer has recently confirmed that the rate of payment of the Coronavirus Supplement and JobSeeker more generally in 2021, will be decided later in the year when more information about the economy is available. The Government is "leaning in" to providing continued support.

## COVID-19 Response Package — further economic support payments

The Government will provide two separate \$250 economic support payments, to be made from November 2020 and early 2021 to eligible income support recipients and health care card holders. The payments are exempt from taxation and will not count as income support for the purposes of any income support payment.

## Skills and training support

On 2 October as part of the [Boost for skills training](#) announcement, the Government noted it will consult on potential changes to the current arrangements for workers that undertake training at their own expense. The current rules, which limit deductions to training related to current employment, may act as a disincentive for Australians to retrain and reskill to support their future employment needs. Further information on this announcement can be found in the Business taxes section.

## Board of Taxation's Review of Granny Flat arrangements

On 5 October 2020, the Treasurer [advised](#) of the Government's response to the Board of Taxation's [Review of Granny Flat arrangements](#). From 1 July 2021 (subject to the passing of legislation), the Government will provide a targeted Capital Gains Tax (CGT) exemption in respect to the creation, variation or termination of a formal written granny flat arrangement providing accommodation for older Australians or people with disabilities. This change will only apply to agreements that are entered into because of family relationships or other personal ties and will not apply to commercial rental arrangements.

## Income tax exemptions available to individuals engaged by the IMF and World Bank

The Government will clarify that Australian individuals performing short term missions on behalf of the International Monetary Fund (IMF) and three institutions of the World Bank Group (WBG) are entitled to an exemption from income tax for their relevant income from the particular organisation. This measure will apply retrospectively from 1 July 2017.

## Immigration

### Migration Program — 2020-21 planning levels

The Government will maintain the 2020-21 Migration Program planning level at 160,000. This is the same level that was set for the 2019-20 financial year. The Government will prioritise Employer Sponsored, Global Talent, Business Innovation and Investment Program visas within the skilled stream. In addition, Onshore and Partner visa applicants where the sponsor resides in a designated regional area will also receive priority. During the 2020-21 Migration Program year only, Family stream places will be increased from 47,732 to 77,300.

### Refunds and waivers of Visa Application Charges Receipts

The Government will refund or waive the visa application charge (VAC) for temporary visa holders affected by the COVID-19 travel ban. As a result of Australia's border closures, many visa holders have been unable to travel to Australia. Therefore, the Government will waive the VAC for a subsequent visa application for Temporary skilled workers and visitor visa holders. Working holiday makers have the option of having the VAC for a subsequent visa application waived or seeking a VAC refund. Furthermore, Prospective Marriage, Pacific Labour Scheme and Seasonal Worker Programme visa holders will be able to access a VAC refund. The VAC refunds and waivers will be available to current visa holders who are unable to travel until the border reopens.

### JobMaker Plan — global business and talent attraction taskforce

The Government will establish a new Global Business and Talent Attraction Taskforce with the objective of attracting international businesses and exceptional talent to Australia. This taskforce builds on several recent announcements by the Government, seeking to attract businesses and highly skilled workers to Australia. This initiative will support post- COVID recovery and increase local jobs.

### Business Innovation and Investment Program

Effective from 1 July 2021, the Visa application charge for Business Innovation and Investment Program (BIIP) visas will be increased by an additional 11.3 per cent (above regular CPI indexation). The Government will introduce changes to the BIIP to improve the quality of visa applicants and investments being made in Australia. The objective is to achieve better economic outcomes by attracting higher values investors, business owners and entrepreneurs. The Government also intends to improve and streamline the operation of the BIIP program.

### Temporary visa holders – Agricultural sector

The Government has made provisional changes to Working Holiday Maker (subclass 417 and 462) visa holders currently working in food processing or the agricultural sector during COVID-19. These individuals will be eligible for a further visa and will be exempt from the six-month work limitation with one employer. Furthermore, visa holders currently in the agricultural sector whose visas are expiring, and who are working for an approved employer, may have their visas extended for up to 12 months.

### Changes to student and temporary graduate visas

The Government is ensuring that travel restrictions associated with COVID-19 do not adversely impact international students or their eligibility for post-study work visas. The Government is waiving the VAC for Student visa (subclass 500) holders who require a further Student visa to complete their studies, or who are required to remain in Australia as a result of travel restrictions. In addition, International students and recent graduates eligible to apply for a Temporary Graduate visa (subclass 485) but unable to travel to Australia, will be permitted to apply while offshore.

## **Permanent Migration — encouraging uptake of the New Zealand Pathway to permanent residency**

In an effort to encourage New Zealand citizens based in Australia to apply for permanent residence, the Government has announced the following changes to the Skilled Independent (subclass 189) visa (the Pathway):

- Reduce the income eligibility requirement
- Extend eligibility to Special Category (subclass 444) visa holders who have a taxable income at or above the Temporary Skilled Migrant Income Threshold for at least three of the last five income years, including the most recent year.

## **Family Stream migration – Partner visas**

To complement the existing family violence provisions within the Partner visa program, the Government will apply the family sponsorship framework to Partner visa applications. This mandates character checks, sharing of personal information, and enforceable sponsorship obligations for the sponsor. In addition, English language requirements will be introduced for Partner visa applicants and their permanent resident sponsors. The intention is to support English language skills, enhance social cohesion and economic participation.

## **Christmas Island Immigration Detention Centre**

The Government will reactivate the immigration detention facility at North West Point on Christmas Island. This facility will accommodate unlawful non-citizens (including those released from prison) who are unable to be depart due to COVID-19 international border restrictions.

## **Global Talent Independent program**

Places in the newly established Global Talent Independent program will be tripled to 15,000.



# Business taxes

## Key announcements

- Temporary full expensing of eligible depreciating assets for businesses with aggregated annual turnover up to \$5 billion
- Temporary loss carry-back for corporate tax entities with aggregated annual turnover up to \$5 billion
- JobMaker Plan - JobMaker Hiring Credit for eligible employers creating additional jobs
- JobMaker Plan – additional wage subsidy support for new apprentices
- Amendment of the corporate residency test in line with Board of Taxation’s recommendation
- Modernise and expand Australia’s tax treaty network
- Expanded access to small business tax concessions
- Enhancement of reforms to Australia’s Research and Development (R&D) tax incentive (see Innovation chapter)
- No changes announced in respect of the JobKeeper program
- No changes announced in respect of company tax rate.



**Mark Hadassin**  
Business Tax Services

## Temporary full expensing of eligible capital assets

A temporary incentive will be provided to over 99 per cent of businesses to support new investment and deliver cash flow benefits. Businesses with aggregated annual turnover of less than \$5 billion can deduct the full cost of eligible capital assets acquired after 7:30pm AEDT on 6 October 2020 (Budget night) and first used or installed ready for use by 30 June 2022 in the following manner:

Asset type	Temporary full expensing
New eligible depreciating assets	Businesses with annual aggregated turnover of less than \$5 billion may deduct <ul style="list-style-type: none"> <li>• the full cost of new eligible depreciating assets.</li> <li>• the cost of improvements made during this period to existing eligible depreciable assets.</li> </ul>
Second-hand eligible depreciating assets	Businesses with annual aggregated turnover of less than \$50 million may deduct the full cost of second-hand eligible depreciating assets

The Government will also enhance the existing instant asset write-off regime to extend the sunset from 31 December 2020, by an extra six months, until 30 June 2021, to first use or install eligible assets.

Businesses with aggregated annual turnover of less than \$10 million may also deduct the balance of their simplified depreciation pool at the end of the income year while the temporary full expensing measure applies.

### Temporary loss-carry back

Eligible corporate tax entities will temporarily be able to carry back tax losses against taxed profits in a previous year, generating a refundable tax offset. This measure allows eligible companies to accelerate the cash benefit associated with tax losses.

Corporate tax entities with an aggregated annual turnover of less than \$5 billion can elect to carry back tax losses from the 2019-20, 2020-21 or 2021-22 income years to offset previously taxed profits in 2018-19 or later income years. The amount carried back must not generate a franking deficit and is limited by the level of previously taxed profits.

The tax refund will be available upon lodgement of their 2020-21 and 2021-22 tax returns. Companies that do not elect to carry back losses under this measure can still carry losses forward as normal.

### Deloitte comment

The temporary full expensing of eligible capital assets and temporary tax loss carry back are significant and positive measures, both applicable to a large pool of taxpayers, with relevant turnover of up to \$5 billion.

A similar tax loss carry back measure was introduced (and shortly thereafter repealed) in 2013. That framework will provide a head-start in legislating this measure quickly. Pleasingly, the limitations and caps associated with the 2013 measure have not been replicated – with the refundable tax offset effectively limited by the available franking credits.

The tax loss carry back measure will likely support the takeup of the full expensing of eligible capital assets. Companies that would otherwise have had tax losses available for carry forward would be less likely to respond to that investment incentive. Combined with the tax loss carry back, the cash benefit of full expensing can be accelerated.

It seems that while the first loss year that can be carried back is the 2019-20 year, the first tax refund will only be available upon lodgement of the 2020-21 return.

### Corporate residency test to be amended

The Government will make technical amendments to the law to clarify that a company that is incorporated offshore will be treated as an Australian tax resident if it has a **'significant economic connection to Australia'**. This test will be satisfied where both

- The company's core commercial activities are undertaken in Australia and
- Its central management and control is in Australia.

This measure is consistent with the Board of Taxation's recommendation in its 2020 report: *Review of Corporate Tax Residency* and will mean the treatment of foreign incorporated companies will reflect the position prior to the 2016 High Court decision in *Bywater Investments Ltd v Federal Commissioner of Taxation*.

The measure will have effect from the first income year after the date of Royal Assent of the enabling legislation, but taxpayers will have the option of applying the new law from 15 March 2017, being the date on which the Australian Taxation office (ATO) withdrew its previous ruling TR 2004/15 *Income tax: residence of companies not incorporated in Australia — carrying on a business in Australia and central management and control*.

### International tax – modernising and expanding Australia's tax treaty network

The Government will modernise and expand Australia's tax treaty network, with the goal of attracting foreign investment and skilled workers. This initiative will prioritise Australia's treaties with our key strategic partners.

## International tax – updating the list of Eol jurisdictions

The Government will update the list of jurisdictions that have an effective Exchange of Information (Eol) or information sharing agreement with Australia. These agreements form an important part of Australia's commitment to safeguard against offshore tax avoidance and evasion.

Residents of listed jurisdictions are eligible to access the reduced Managed Investment Trust (MIT) withholding tax rate of 15 per cent on certain distributions, instead of the default rate of 30 per cent. The updated list will be effective from 1 July 2021.

To be listed, jurisdictions must have established the legal relationship enabling them to share taxpayer information with Australia. This measure will add the Dominican Republic, Ecuador, El Salvador, Hong Kong, Jamaica, Kuwait, Morocco, North Macedonia and Serbia, and remove Kenya from the existing 122 jurisdictions on the list.

## JobMaker Plan – Hiring Credit

A JobMaker Hiring Credit (or payment) will be introduced for certain employers creating additional jobs in a 12 month period ending 6 October 2021 for eligible employees who are aged between 16 and 35. Eligible employers must be able to demonstrate that the new employee will increase overall headcount and payroll in order to claim the Hiring Credit.

For a period of up to 12 months after an additional position is created, an eligible employer may claim a Hiring Credit from the ATO in the form of:

- \$200 a week for each additional eligible employee aged 16 to 29 years old
- \$100 a week for each additional eligible employee aged 30 to 35 years old.

The maximum amount of Hiring Credit claimed by an eligible employer is \$10,400 per additional new position created and is capped by the increase in payroll for the reporting period.

### *Employer eligibility*

There are a number of eligibility requirements for employers to receive a Hiring Credit including that the employer:

- Has an Australian Business Number (ABN)
- Is up to date with tax lodgement obligations
- Is registered for Pay As You Go (PAYG) withholding
- Is reporting through Single Touch Payroll
- Meets the additionality criteria is met (refer below)
- Is claiming in respect of an eligible employee (refer below)
- Has kept adequate records of the hours worked (or paid for) by the applicable employee
- Is not an explicitly excluded from the regime (refer below).

A range of employers are explicitly excluded from the Hiring Credit regime:

- Commonwealth, state and local government agencies, and entities wholly owned by these agencies
- Sovereign entities (foreign Governments, their agencies and wholly owned foreign resident subsidiaries). However, Australian resident entities owned by a sovereign entity that meet all other eligibility criteria are eligible
- Entities in liquidation or who have entered bankruptcy
- Employers who are claiming the JobKeeper Payment
- Employers subject to the Major Bank Levy.

### *Additionality criteria*

Critically, to be an eligible employer, the employer must demonstrate that the job is additional in accordance with specific criteria. The additionality criteria require that there is an increase in both:

- The business' total employee headcount (minimum of one additional employee) from the reference date of 30 September 2020
- The payroll of the business for the reporting period, as compared to the three months ended 30 September 2020.

The baseline headcount value at 30 September 2020 will be adjusted in the second year of the program to ensure an employer can only receive the Hiring Credit for 12 months for each additional position created.

Newly established businesses and businesses with no employees at the reference date of 30 September 2020 are not prevented from claiming the Hiring Credit in respect of new hires provided the criteria are satisfied. Only second and subsequent eligible hires by a newly established business will be eligible (given an employer's minimum total employee headcount at the reference date of 30 September 2020 is one).

#### *Employee eligibility*

To be eligible in a reporting period, an employee hired into the newly created position must:

- Be aged between 16 and 35 years old at the time their employment started
- Have worked at least 20 paid hours per week on average for the full weeks they were employed over the reporting period
- Commenced their employment between 7 October 2020 and 6 October 2021
- Have received the JobSeeker Payment, Youth Allowance (Other), or Parenting Payment for at least one month within the past three months before they were hired.

Employees will be required to complete nomination forms under which the employee will make a declaration to the employer that the employee eligibility requirements are met. An employee may only complete a nomination for the Hiring Credit for one employer at any point in time.

#### *Claiming the Hiring Credit*

The Hiring Credit will be claimed quarterly in arrears by the employer from the ATO from 1 February 2021. Employers will need to report quarterly that they meet the eligibility criteria in respect of each newly created position.

Registrations will open for eligible employers through ATO online services from 7 December 2020. Integrity measures similar to those introduced to support the JobKeeper regime will apply to the Hiring Credit scheme.

### **JobMaker Plan – boosting wage subsidy support for new Australian apprentices**

The Government will provide a \$1.2 billion Boosting Apprenticeship Commencements wage subsidy to support businesses and Group Training Organisations to take on new apprentices and trainees. The subsidy is available to employers of any size, industry or geographic location.

Under the subsidy, any business or Group Training Organisation that employs an eligible Australian apprentice or trainee who commences on or after 5 October 2020 may qualify for a subsidy of 50 per cent of the wages paid to the apprentice or trainee between 5 October 2020 and 30 September 2021, up to a maximum of \$7,000 per quarter per eligible apprentice or trainee. The subsidy is paid in arrears and capped at 100,000 places.

The subsidy is not available for any apprentice receiving any other form of Government wage subsidy e.g. Supporting Apprentices and Trainees or JobKeeper. Further information on this announcement can be found in the Education and training section.

The subsidy is in addition to the Government's Supporting Apprentices and Trainees wage subsidy which assists small and medium businesses to keep their apprentices and trainees in work and their training secured, as announced in March 2020. In July 2020, this measure was expanded to medium sized businesses with less than 200 employees for apprentices employed as at 1 July 2020 and extended by six months to March 2021.

## Expanded access to small business tax concessions

The Government will expand access to existing small business tax concessions. Businesses with an aggregated annual turnover between \$10 million and \$50 million will have access to up to ten small business tax concessions. The expanded concessions will apply in three phases:

- From **1 July 2020**, eligible businesses will be able to immediately deduct
  - Certain start-up expenses and
  - Certain prepaid expenditure;
- From **1 April 2021**, eligible businesses will be exempt from the 47% Fringe Benefits Tax (FBT) on
  - Car parking and
  - Multiple work-related portable electronic devices, such as phones or laptops provided to employees; and
- From **1 July 2021**, eligible businesses will be able to:
  - Access the simplified trading stock rules
  - Remit PAYG instalments based on GDP adjusted notional tax
  - Settle excise duty and excise-equivalent customs duty monthly on eligible goods
  - Further, the time limit for the ATO to amend income tax assessments will be reduced from four to two years, for income years starting from 1 July 2021 (eligible businesses that have significant international tax dealings or particularly complex affairs will be excluded from this concession).

In addition, the Commissioner's power to create a simplified accounting method determination for goods and services tax purposes will be expanded to businesses below the \$50 million aggregated annual turnover threshold from 1 July 2021.

## JobMaker – supporting small business and responsible lending

The Government will implement reforms reducing regulatory burden to ensure a timely flow of credit and resolution for distressed business:

- Changes to the Credit Act will reduce the time and cost of credit assessments for consumers and businesses. A simplified loan application process for borrowers will reduce the barriers to switching between credit providers
- Eligible small businesses will be able to access a new formal debt restructuring process based on the 'debtor in possession model', during which the business continues trading under the control of the owners. This measure will be available to incorporated businesses with liabilities of less than \$1 million
- A simplified liquidation process for eligible small businesses will enable faster and lower-cost liquidation, increasing returns for creditors and employees.

## Victoria's business support grants to be exempt

Payments made under the Victorian Government's business support grants for small and medium business, as announced on 13 September 2020, will be non-assessable, non-exempt (NANE) income for tax purposes. Eligibility for this treatment will be limited to grants announced on or after 13 September 2020 and for payments made between 13 September 2020 and 30 June 2021.

The Government will extend this arrangement to all States and Territories on an application basis. Eligibility would be restricted to future grants program announcements for small and medium businesses facing similar circumstances to Victorian businesses. The Government will introduce a new power in the income tax laws to make regulations for such measures.

## FBT exemption on employer-provided retraining and reskilling

From **2 October 2020** onwards, employer-provided retraining and reskilling for employees who are redeployed to a different role in the business will be exempt from FBT. This measure is intended to encourage employers to help workers transition to new employment opportunities within or outside their business. The exemption will not extend to retraining acquired by way of a salary packaging arrangement or training provided through Commonwealth supported places at universities, which already receive a benefit.

## Relying on existing records for FBT

The Government will provide the ATO with the power to allow employers to rely on existing corporate records, rather than employee declarations and other prescribed records, to finalise their FBT returns. This measure will have effect from the start of the first FBT year (1 April) after the date of Royal Assent of the enabling legislation.

## JobMaker Digital Business Plan

The Government will provide \$796.5 million over four years from 2020-21 through its Digital Business Plan to enable businesses to take advantage of digital technologies to grow their businesses and create jobs as part of the economic recovery plan.

Key elements of the Digital Business Plan include:

- A Digital Identity system to enable more secure and convenient engagement with government services, and in future, the private sector
- Full implementation of the Modernising Business Registers program, allowing businesses to quickly view, update and maintain their business registry data in one location
- Rollout of the Consumer Data Right to the banking and energy sectors
- Small business access to digital technologies through an expansion of the Australian Small Business Advisory Service – Digital Solutions program, a Digital Readiness Assessment tool and a Digital Directors training package
- A new regulatory technology commercialisation initiative to improve compliance and directly support digital technology firms
- Consulting on making permanent the temporary reforms to allow companies to hold virtual meetings and execute documents electronically.

## Additional funding for regulators

The government will provide additional funding for regulators as follows:

- \$305.9 million to the ATO over four years from 2020-21 for effective delivery of the next phase of JobKeeper payment and JobMaker Hiring Credit
- \$86.3 million to the ATO, Department of the Treasury and Department of Finance over four years from 2020-21 to implement a new ICT platform to support more effective and efficient foreign investment application processing and compliance activities; together with a new consolidated Register of Foreign Ownership of Australian Assets
- \$15.1 million to the ATO over two years from 2021-22 to target serious and organised crime in the tax and superannuation systems
- \$2.9 million to the ATO over three years from 2020-21 to implement a program of field based compliance reviews to intervene early where charities are at a high risk of failing to meet governance standards of the Australian Charities and Not-for-profits Commission (ACNC)
- \$106.4 million for Department of the Treasury over four years from 2020-21 to implement the Government's COVID response and track economic recovery
- \$241.2 million for the Australian Bureau of Statistics over three years from 2021-22 to maintain Australia's statistics gathering and analysis capabilities to track Australia's COVID-19 economic recovery
- \$116.5 million for the Australian Competition and Consumer Commission (including capital funding of \$32.9 million) over four years from 2020-21 to protect consumers and small business
- \$28.8 million for the Australian Prudential Regulation Authority (APRA) over two years from 2020-21 to boost its capacity to respond to risks within the financial system, with costs to be recovered from industry
- \$7.1 million to Australian Securities and Investment Commission (ASIC) and Department of the Treasury over four years from 2020-21 to transfer policy responsibility for national financial capability co-ordination from ASIC to Treasury. This will be partially funded by ASIC
- \$28.6 million to the Department of Home Affairs over two years from 2020-21 to support Australian Border Force trade modernisation measures and streamline border services to reduce administrative and compliance complexity and make international trade more efficient.

## Foreign Investment Framework Fees

The Government will simplify the Foreign investment fee framework and adjust fees from 1 January 2021. This measure is estimated to result in increased collections of \$141 million over the forward estimates.

## Company tax rate

There are no announced changes to the company tax rate. The company tax rate as legislated for eligible corporates is as follows (eligible corporates are broadly base rate entities with an aggregated turnover of less than \$50 million).

Income year	Eligible company rate (per cent)	Other company rate (per cent)
2019-20	27.5	30
2020-21	26	30
2021-22 and subsequent years	25	30

## Indirect tax

There were no new GST, fuel tax, wine equalisation tax, luxury car tax or customs duty measures announced on Budget night.



# Superannuation

## Key announcements

- 'Stapling' superannuation members to existing superannuation accounts
- Annual benchmarking reviews, starting with MySuper products
- No change to superannuation guarantee rates.

## Your Future, Your Super

The Budget has announced reforms to default superannuation accounts. The reforms were announced in a package entitled "Your Future, Your Super" and included the following key measures:

- To avoid the creation of multiple superannuation accounts, superannuation accounts will be 'stapled' to members. This aims to ensure members keep their current existing superannuation account when they change jobs, unless they elect an alternate fund
- From 1 July 2021, a new online YourSuper comparison tool will be available to more readily compare MySuper superannuation products
- The Government will legislate additional requirements set to ensure Trustees act in the best financial interests of members. This will include providing members, in advance of Annual Members' Meetings, with key information regarding how Trustees manage and spend money
- MySuper products will be subject to an annual performance test. Where funds fail two consecutive annual underperformance tests, they will not be permitted to accept new members. These funds will need to disclose this underperformance and will not be able to re-open to new members unless their performance improves. By 1 July 2022, annual performance tests will be extended to other superannuation products.



**Meghan Speers**  
**Superannuation – Tax**

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## Superannuation guarantee rates

There were no announced changes to the legislated rates of superannuation guarantee, although there continues to be speculation as to whether the Government will pause proposed increases in the rate over the coming years. The Treasurer has indicated publicly that given the next increase will not occur till mid next year, “we don’t have to rush a decision.”

The rates as legislated are as follows:

Period	General superannuation guarantee %
1 July 2020 – 30 June 2021	9.5
1 July 2021 – 30 June 2022	10.0
1 July 2022 – 30 June 2023	10.5
1 July 2023 – 30 June 2024	11.0
1 July 2024 – 30 June 2025	11.5
1 July 2025 – 30 June 2026 and onwards	12.0

## Retirement system review and the retirement income covenant

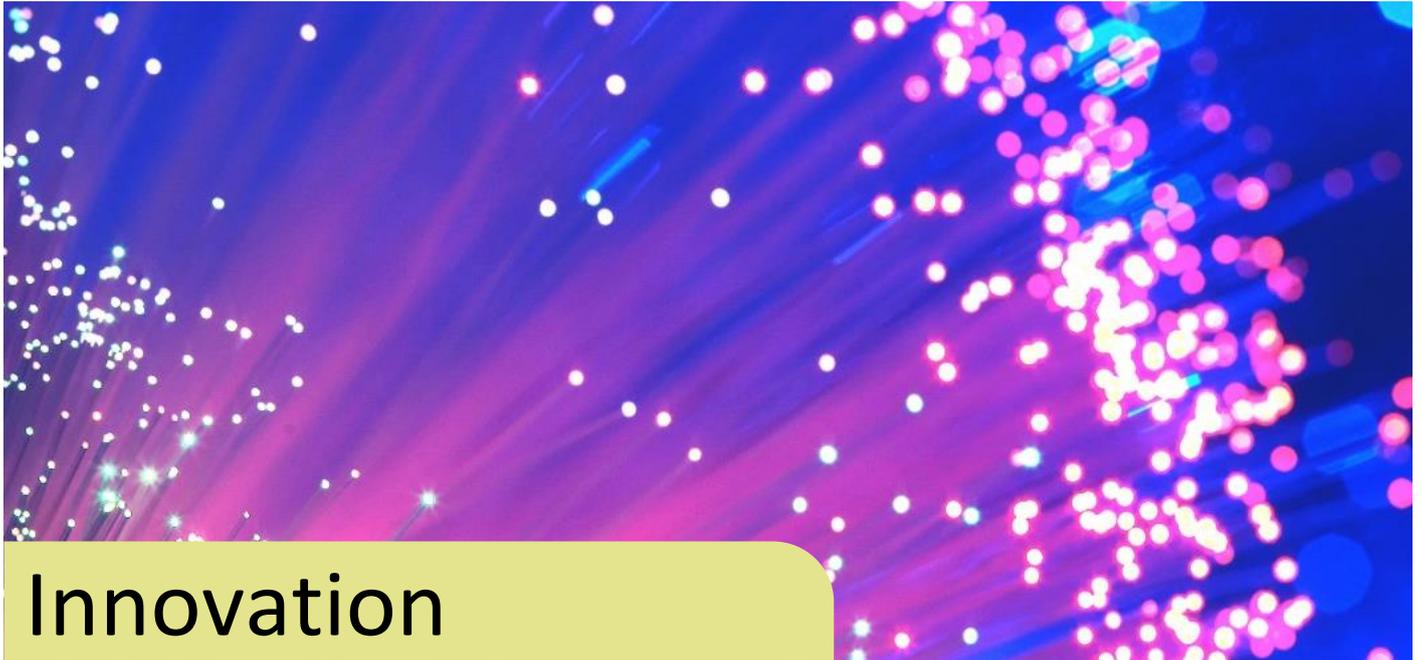
As a consequence of a recommendation by the Productivity Commission in its report *Superannuation: Assessing Efficiency and Competitiveness*, the Treasurer announced a review into the retirement income system on 27 September 2019. The government has not yet released Treasury’s final report which was finalised mid-2020.

In addition, on 22 May 2020 Senator Hume announced the proposed retirement income covenant which was previously scheduled to start on 1 July 2020 is delayed to 1 July 2022 due to COVID-19.

## Other previously announced measures

The following measures previously announced that have not yet been legislated and/or had start dates revised, are as follows:

Measure	Announced	Latest development
SMSF maximum member numbers to increase from 4 to 6	<a href="#">2018-19 Budget</a> announcement Start date revised from 1 July 2019 to Royal Assent of the enabling legislation.	<a href="#">Treasury Laws Amendment (Self-Managed Superannuation Funds) Bill 2020</a> before the Senate. Bill sent to Senate Economics Legislation Committee for review. Report due 4 November 2020
Bring forward rules for non-concessional contributions extended to recent retirees (65 & 66)	<a href="#">2019-20 Budget announcement</a> To start 1 July 2020	<a href="#">Treasury Laws Amendment (More Flexible Superannuation) Bill 2020</a> before the Senate
Reducing red tape for superannuation funds (exempt current pension income changes)	<a href="#">2019-20 Budget announcement</a> Start date revised from 1 July 2020 to 1 July 2021	
Payment of lost or unclaimed superannuation amount to New Zealand KiwiSaver accounts	2015-16 Budget announcement Start date revised from 1 July 2016 to 6 months after Royal Assent of the enabling legislation	
Removal of the capital gains discount at the trust level for MITs and AMITs	2018-19 Budget announcement Start date revised from 1 July 2020 to on or after 3 months after the date of Royal Assent of the enabling legislation	
Closure of Eligible Rollover Funds	<i>Treasury Laws Amendment (Reuniting more Superannuation) Bill 2020</i> to be amended to defer the final transfer dates following discussion with industry regarding readiness	



### Key announcements

- Whilst many direct funding and grant opportunities focusing on advanced manufacturing, waste recycling, infrastructure and tourism were flagged in the lead up to Budget night, the Government managed to keep key R&D Tax Incentive (RDTI) aspects well under wraps
- In an extremely welcome development, the Government has chosen to backtrack on most of the controversial amendments to the RDTI regime, with revised changes now proposed from 1 July 2021
- The refundable R&D tax offset will be fixed at a rate of 18.5 per cent above the prevailing corporate tax rate rather than 13.5 per cent
- The proposed refund cap of \$4 million will be abandoned
- A limited, and more positive, intensity threshold will now introduce two stepped non-refundable R&D tax offset rates of 8.5 per cent and 16.5 per cent
- The increase in the R&D expenditure cap from \$100 million to \$150 million will go ahead
- With respect to the newly announced tax loss carry-back regime, the Government needs to urgently consider extending the proposed carry back regime to tax offsets.



**Greg Pratt**  
Global Investment and Innovation  
Incentives (Gi<sup>3</sup>)

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### Status of proposed RDTI amendments

The existing R&D law will continue to apply until 30 June 2021. It is expected that the current Bill containing the long-proposed amendments, and which is currently before the Senate, will be withdrawn.

The following revised proposals are to take effect from 1 July 2021:

- The refundable R&D tax offset rate for entities with turnover of less than \$20m will now be fixed to 18.5 per cent above the prevailing corporate tax rate. Notably this reflects the net tax benefit that would have been available were none of the proposed R&D changes enacted, given the base rate entity tax rate will reach 25 per cent in 2021-22.
- The proposed \$4 million refund cap (excluding clinical trials) has been abandoned.
- The R&D expenditure cap will increase from \$100 million to \$150 million.
- The most welcome aspect of the Government’s announcement is for entities with turnover of \$20 million or more. Although still framed as a simpler intensity threshold, the net tax benefit will now either remain the same for the majority of companies or increase significantly, with the following two stepped non-refundable R&D tax offset rates:

Intensity	R&D premium	Offset for base rate entities (\$20m-\$50m)	Offset for other companies (\$50m+)
0 – 2 per cent	8.5%	33.5%	38.5%
Above 2 per cent	16.5%	41.5%	46.5%

The R&D premiums will still be tied to a company’s incremental R&D intensity, which will continue to be determined as R&D expenditure as a proportion of total expenses.

Unfortunately, base rate entities will lose the existing net tax benefit of the reduced corporate tax rate. For other companies, the net tax benefit will not fall below the current 8.5 per cent rate, with high intensity industries potentially able to access higher rates.

It is with undoubted relief that after five years, certainty will once again return to the RDTI regime with many businesses likely to see the overall outcome as extremely positive.

### Extend proposed carry back regime to tax offsets

Since the start of the pandemic, Deloitte has been backing the merits of the carry back of non-refundable R&D tax offsets. However, a tax loss carry-back regime has been introduced to generate cash-flow opportunities for pre-pandemic profitable companies and this does not extend to tax offsets.

This technical distinction arises now due to the recharacterisation of RDTI support as a non-deductible tax offset rather than an enhanced deduction as existed under the former R&D Tax Concession. Under the former regime, excess R&D deductions would have given rise to tax losses which would have been eligible for carry back.

The prioritisation of one tax attribute at the expense of another is inequitable and will have potentially distortionary implications in disincentivising R&D claims. As such, we consider that the announced loss carry-back regime should be extended to tax offsets.



# Health and human services

## Key announcements

This Budget delivers extraordinary levels of new funding for the most disadvantaged groups in Australia – in mental health and aged care, for the disabled and for Australians living in remote and rural communities. While it continues with the expected high levels of spending on managing COVID, the real impact on Health and Human Services will be on the long-term investments in reforming mental health and aged care, and in the ongoing support for virtual care delivery and digital health.

The Budget's focus on economic recovery is underpinned by a record \$115.5 billion in 2020–21 and \$467 billion over the forward estimates to deliver essential Health and Human Services to Australians. In addition to the more than \$16 billion already invested as part of the Government's ongoing health response to the COVID-19 crisis, the Budget prioritises:

- **COVID-19 vaccine and treatment strategy** – \$2.3 billion in treatments and vaccines, including a potential \$1.7 billion to pre-order 84.8 million doses of vaccine
- **Mental health** – \$5.7 billion commitment to double support under Better Access, from 10 to 20 Medicare-funded psychological services and more funding for helplines
- **Aged care** – an increase of \$2.2 billion, including \$1.6 billion for 23,000 additional home care packages and \$408.5 million to improve the care and quality of the aged care system
- **NDIS** – an additional \$3.9 billion, funding 400,000 Australians with disability, with many receiving disability supports for the first time
- **Stronger Rural Health Strategy** – \$550 million encouraging doctors to train and practice in rural and remote Australia and giving nurses and allied health professionals a greater role in team-based primary care.



**Dr Stephanie Allen**  
Health & Human Services

## Health

### COVID-19 Response

The Budget allocates additional funding of \$4.9 billion to continue to support Australians through the health crisis, including funding for:

- Primary healthcare and dedicated respiratory clinics focused on actively testing individuals
- Public and private hospitals to appropriately manage the volume of patients and treatment
- More than 84.8 million doses of potential vaccines (being developed) as well as participation in research and development activities
- Continuation of \$112 million to support temporary Medicare subsidised telehealth services

*“Mental Health is a national priority.”* Treasurer Josh Frydenberg

More than \$148 million is also allocated in additional funding for mental health services: 10 additional Medicare subsidised sessions; the National Mental Health and Wellbeing Pandemic Response Plan; and critical frontline services and programs focused on work placement for Australians suffering from a mental illness. It is clear that this Budget’s priorities, in conjunction with the upcoming release of the Productivity Commission’s report on mental health, will further assist in planning and implementing an overarching and systematic reform in the mental health arena. What is now important is the detail that will target those most effective and have the greatest impact on improving outcomes for Australians.

### Record funding

The Budget is committing record ongoing health funding of \$93.8 billion, an increase of almost 43 per cent since 2014-15, primarily focused on two components: funding for public hospitals under the National Health Reform Agreement focused on high costs therapies; and PBS items for diseases such as leukemia, melanoma, Parkinson’s and ovarian cancer.

The Budget sees the Digital Health agenda continuing to progress in the right direction. In the last few years, the focus has been on interoperability as a key enabler for providing integrated and coordinated healthcare, as well as the adoption of disruptive technology. It is important that this agenda continues to advance.

While the focus on ensuring access and provision of healthcare services to the most vulnerable remains a priority, we must also look toward the future of healthcare by investing in digital care. This is critical as we have made great strides in virtual care delivery during COVID. Optimal care delivery is often a combination of face-to-face and virtual care delivered. We cannot afford to let this progress stop due to a lack of ongoing commitment and sustained funding.

### Aged care

The Budget provides a significant \$1.5 billion on-going response to COVID-19’s disproportionate effect on elderly Australians and continues the Government’s commitment to investing in aged care, growing the annual aged care budget to \$23.9 billion. Key announcements include:

- \$23.9 billion for aged care, an increase of \$2.2 billion over last year and approximately \$1 billion more than forecast
- \$1.6 billion boost to home care packages funding 23,000 additional packages for older Australians to stay at home longer. Although 103,000 people are currently on the waitlist, this will make some in roads to supporting older Australians within their homes and communities, particularly during the pandemic
- Continuation of funding for COVID-19 response costs, totalling \$1.5 billion since the start of the pandemic, including additional staff, training, quarantine and infection control, retention bonuses, Victorian response centre, and grief and trauma support services.

Australia's aged care system is currently under great pressure to reform given the shortcomings revealed by the ongoing Royal Commission and the COVID-19 pandemic. The Government has committed to addressing some key findings of the Royal Commission interim and special COVID-19 reports. However, the Government has also signalled that it will wait for the Final Report before committing to any additional measures. Significant on-going key issues for the Government, industry, recipients of care and services and their carers include:

- Increasing equity, access and transforming transactional systems to services based on outcomes and relationships of care
- Creating greater transparency and information for care recipients, and their carers and families, for better access, easier navigation and more informed care choices
- Retaining, training and growing the workforce, giving workers long term career prospects
- Driving innovation in models of care for localised, sustainable, responsive services, and leveraging technology where it enhances the efficiency, efficacy and quality of care provisions

## Human Services

The Budget continues support to Australians of all walks of life by providing essential welfare, veterans and disability services. In Social Security and Welfare, the Budget allocates more than \$46 billion in new expenditure over 2019-20 and 2020-21, mainly reflecting the Coronavirus Supplement, economic support payments to households and increased expenditure on the JobSeeker Payment. Key announcements include:

- **Older Australians:** An additional \$2.6 billion for two additional Economic Support Payments of \$250 to pensioners and other eligible recipients. This will benefit around 5.1 million eligibility pensions, veterans, low-income families and eligible concession cards.
- **Families:** The Government is extending targeted funding for child care services in Victoria following the end of the national Transition Package arrangements on 27 September 2020. The easing of the Activity Test requirements for all Australian families will be extended through to 4 April 2021, so that people can continue to access the hours of care they received before the pandemic.
- **Australians with disabilities:** Provision for \$798.8 million for the National Disability Insurance Agency and NDIS Quality and Safeguards Commission has been put in place. An additional \$3.9 billion has also been allocated to the NDIS to provide support for an additional 400,000 Australians with disability.
- **Child Care Subsidy:** Payments relating to the Child Care Subsidy program, are expected to increase by \$228.4 million in 2020-21 (\$860.1 million over the four years to 2023-24), largely reflecting increased support for families and demographic changes in the families accessing the program.

The Budget also recognises the importance of Australia's Human Services and Welfare systems, which demonstrated their ability to flex and scale up to meet the unprecedented demands placed upon them by the pandemic. New investment has been allocated to make it easier and safer for all Australian to interact digitally – at a time and place of their choice, including:

- **Digital Identity foundation:** \$256.6 million to support the expansion of the Government's Digital Identity program over the next two years.
- **Secure services:** An additional \$201.5 million to deliver the 2020 Cyber Security Strategy, creating a more secure online world for all Australians. This takes the Government's total funding for the Strategy to \$1.7 billion.
- **Modernising systems:** The nationally critical systems, that underpin the Australian Welfare system, will receive \$539.6 million to modernise and enhance their decision making and payment functions, making it easier and faster for Australians to have their welfare claims processed.



# Education and training

## Key announcements

- Additional funding for 100,000 new apprenticeships and traineeships via the \$1.2 billion Boosting Apprenticeship Commencements initiative
- A one-off injection of \$1.0 billion to support research in the higher education sector via the Research Support Program
- An additional 12,000 Commonwealth Supported university places in national priority areas in 2021
- \$251.8 million to support an additional 50,000 subsidised higher education short course places in 2021
- An additional \$146.3 million over five years for a package of initiatives aimed at improving education outcomes of young Australians and contributing to social cohesion.



**Colette Rogers**  
Education and Training

## Supporting young Australians through significant new incentives for employers to hire new apprentices

The Government has announced additional funding for 100,000 new apprenticeships and traineeships. The \$1.2 billion Boosting Apprenticeship Commencements initiative will take the form of a new 50 per cent wage subsidy for all businesses that take on new apprentices over the period 5 October 2020 to 30 September 2021.

The subsidy will be capped at \$7,000 per quarter for gross wages for new apprentices and trainees. This measure is in addition to financial support already provided under the Government's \$2.8 billion Supporting Apprentices and Trainees package for existing apprentices and trainees, which is now expected to support 90,000 employers to keep 180,000 apprentices and trainees in employment and training.

This represents a significant investment in additional support for Australian businesses to invest in the reskilling and upskilling to support school leavers and workers affected by the COVID-19 recession. And it further underlines the Government's focus on national reform of Australia's Vocational Education and Training (VET) system.

This new investment complements the JobTrainer reform package announced earlier this year, aimed at underpinning national reform to funding arrangements for VET delivery. It also builds on announcements made in last year's budget, which included the establishment of the National Skills Commission and National Careers Institute, both arising from the recommendations of the Joyce Review of the Australian VET system.

Alongside this new investment, the Government has announced that it will further delay the commencement of the Incentives for Australian Apprenticeships Program from 1 January 2021 to 1 July 2021, which will minimise disruption to employers and Australian apprentices and continue support through the existing Australian Apprenticeships Incentives Program.

## **Bolstering the capacity of the higher education sector to meet skills demand in national priority areas**

As part of the JobMaker plan, the Government will provide an additional \$903.5 million over four years to fund more places for domestic students, to implement the Job-ready Graduates package reforms, to safeguard provider quality and to support access for regional Australians.

Within this package, \$298.5 million is allocated for an additional 12,000 Commonwealth Supported university places in national priority areas in 2021, to bolster the sector's capacity to meet higher demand from domestic students arising from the recession. The Government will also provide \$7.1 million for up to 1,000 places in courses at non-university and private higher education providers.

Alongside this, the Government will make a \$251.8 million investment to support an additional 50,000 subsidised higher education short course places in 2021. These courses will be funded across a range of discipline areas, centered around re-training or upskilling Australians who have lost their jobs. This reform is set against a backdrop of increased focus on microcredentials by the Government, following the discounted Higher Education Certificates introduced in the Higher Education Relief Package. This also reflects the AQF Review's recommendations to increase the recognition of short-form credentials as a means for students to access life-long learning.

This funding for additional places builds on the reforms set out in the Job-ready Graduates package, to guarantee Commonwealth Grant Scheme (CGS) payments for higher education providers from 2021 to 2023 to support their transition to new funding arrangements. The Job-ready Graduates package will support an additional 39,000 places by 2023 and an additional 100,000 places by 2030.

To support access to education in regional areas, \$19.2 million over four years (\$45.1 million over 10 years to 2030) will be allocated to support the revision of the Tertiary Access Payment and to enable universities to administer the payment to eligible outer regional, rural and remote commencing students who re-locate for their studies.

## **Providing a much-needed lifeline to the university sector**

In 2020-21, the Government's Research Support Program will provide an additional \$1.0 billion to support research in the higher education sector. This significant injection of funding is intended to reduce the financial strain that the collapse of the international education market has placed on the sector, while simultaneously supporting the Government's existing innovation agenda. In addition to this significant headline announcement, the Budget provides:

- \$41.6 million over four years from 2020-21 to establish a *Strategic University Reform Fund* to bring together universities and local industries to partner on innovative reform projects
- \$20.0 million over four years from 2020-21 to establish a Centre for Augmented Reasoning at the University of Adelaide to improve the application of machine learning in Australia
- \$5.8 million in 2020-21 for the Department of Education, Skills and Employment to undertake a scoping study of potential options to accelerate the translation and commercialisation of research, including through new partnerships between universities and industry and opportunities for investments.

These programs are aimed at encouraging universities to expand their industry engagement and research commercialisation efforts, with the potential for revenue diversification and increased financial resilience to accompany this.

The Government will also continue implementing its National Research Infrastructure Roadmap through the Research Infrastructure Investment Plan (RIIP 2020). The Plan sees a reallocation of existing funds, with a focus on projects in the environmental sciences, medical research and humanities spaces.

### **Continued investment in schooling supplemented with targeted investment in priority areas**

Commonwealth Government funding for schooling will continue to grow, with the Budget Papers indicating expenditure of \$22 billion in 2020 increasing to \$34 billion in 2030. Beyond this recurrent base outlay, the Budget commits \$146.3 million over five years for a package of initiatives aimed at improving educational outcomes – particularly among disadvantaged students and those most impacted by the COVID-19 pandemic.

Among the most significant components of an outlay spread across eight individual programs, spanning both schooling and the early years, is:

- \$39.8 million over four years for the Clontarf Foundation to expand and extend its existing program
- \$38.2 million over four years for The Smith Family to support disadvantaged young Australians
- \$27.3 million to be injected into various STEM programs to improve critical science, technology and mathematics skills of early learners and school children.

### **Extending temporary support for Victorian childcare and a short-term continuation of preschool funding**

The 2020-21 Budget confirms the extension of both the temporary financial support measures in place to buffer Victorian childcare providers from the ongoing impacts of COVID-19 and the associated relaxation of Activity Test requirements (nationally).

As announced in April, funding for the National Partnership on Universal Access to Early Childhood Education is extended for a further year, continuing funding for universal access to quality preschool education through 2021 (but offering little by way of longer-term certainty).

Among the STEM-related initiatives announced under the Students Support Package is \$4.4 million over five years for the Smith Family's Let's Count program and \$2.8 million over five years for capability building for early learning educators.



## Key announcements

- The “long road back” Federal Budget 2020-21 sees additional and accelerated funding for all infrastructure sectors, targeting shovel ready projects
- An additional \$4.5 billion in NBN for ultra-fast broadband services
- \$250 million to accelerate electricity transmission links (Marinus Link, Project Energy Connect, VNI West)
- Small scale road safety upgrades and local council road, footpath and street lighting programs receive a total of \$3 billion
- \$2 billion for new projects under the National Water Infrastructure Development Fund
- \$250 million, over four years, for the modernisation of infrastructure to reduce waste and increase recycling
- \$250 million for the fuel security plan including onshore diesel storage
- Consistent with Federal Budget 2019-20, funding commitments include investments to optimise existing assets as well as funding for the planning to create a pipeline of future projects.



**Paul Mounthey**  
Infrastructure & Transport

## Summary of funding commitments by State and Territory

### Queensland

- \$112 million for the Centenary Bridge upgrade in Brisbane
- \$76 million for Stage 2 of the Riverway Drive upgrade between Allambie Lane and Dunlop Street in Townsville
- \$42 million for the Mt Lindesay Highway upgrade between Johanna Street and South Street in Jimboomba.

### Australian Capital Territory

- \$88 million for the Molonglo River Bridge
- \$50 million for a Canberra South West Corridor upgrade package
- \$750 million for Stage 1 of the Coomera Connector (Coomera to Nerang).

## New South Wales

- \$560 million for the Singleton Bypass on the New England Highway
- \$360 million for the Newcastle Inner City Bypass between Rankin Park and Jesmond
- \$120 million for the Prospect Highway upgrade
- \$491 million for the Coffs Harbour bypass
- \$15 million for the planning of faster rail between Sydney and Newcastle
- \$60 million to upgrade the M1 North Smart motorway between the ANZAC bridge and Warringah
- \$7.8 million for the Northern NSW Inland Port at Narrabri
- \$3 million for Coffs Harbour Airport freight access.

## Victoria

- \$320 million for the Shepparton Rail Line upgrade
- \$208 million for Stage 2 of the Warrnambool Rail Line upgrade
- \$292 million for the Barwon Heads Road upgrade
- \$85 million to upgrade Hall Road in Cranbourne
- Acceleration of Stages 2 and 3 of the South Geelong to Waurn Ponds Rail upgrade with \$605 million brought forward.

## South Australia

- \$200 million for the Hahndorf Township improvements and access upgrade
- \$136 million for Stage 2 of the Main South Road Duplication between Aldinga and Sellicks Beach
- \$100 million for the Strzelecki Track upgrade.

## Tasmania

- \$150 million for the Midway Point Causeway (including McGees Bridge and Sorell Causeway)
- \$65 million to upgrade the Tasman Bridge.

## Western Australia

- \$88 million for the Reid Highway interchange with West Swan Road
- \$70 million for the Roe Highway Widening and Abernethy Road upgrade
- Acceleration of the Roe Highway/Great Eastern Highway Bypass and Abernethy Road/Great Eastern Highway Bypass interchanges, and the Wheatbelt secondary freight network, with \$82 million brought forward.

## Northern Territory

- \$120 million to upgrade the Carpentaria Highway
- \$47 million for National Network Highway upgrades across the Territory.

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