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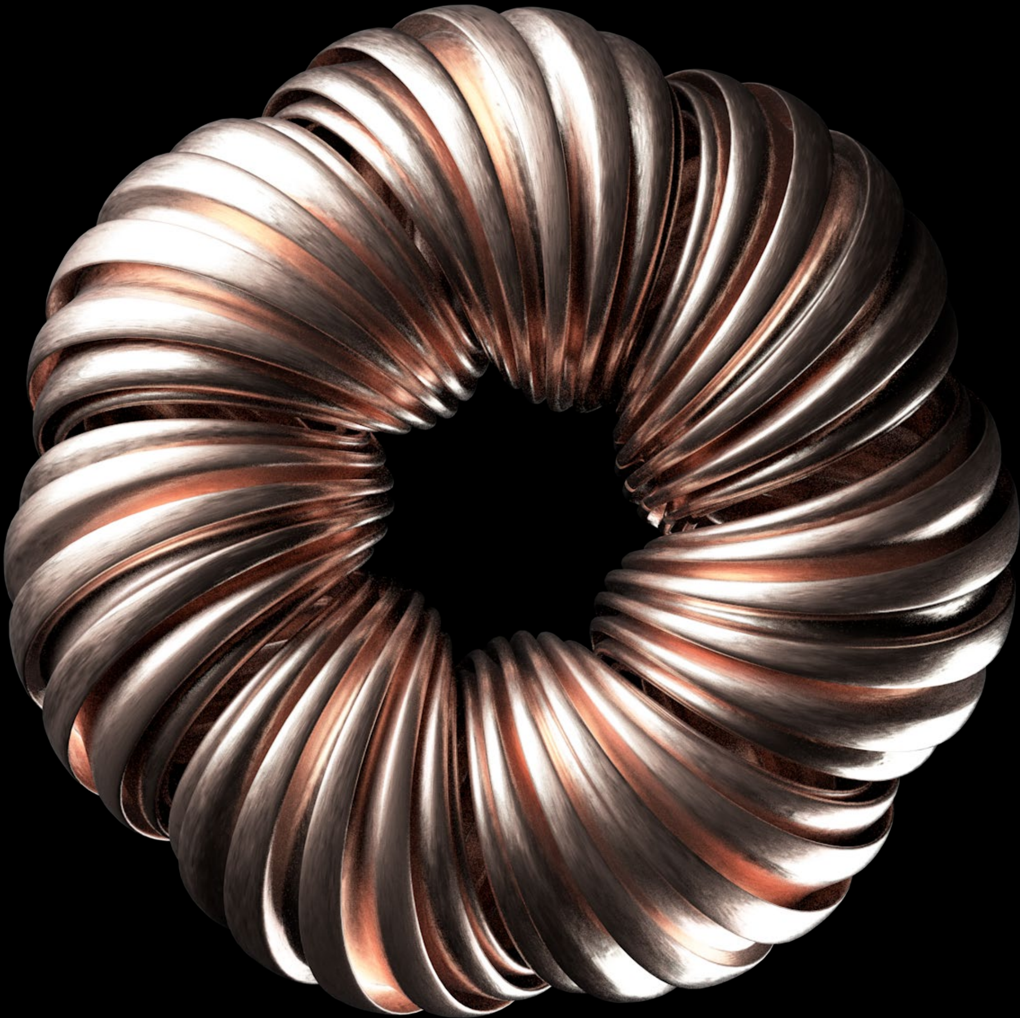

Federal Budget 2021-22

Building a healthy recovery

2021–22 highlights
Building a healthy recovery

Cash Deficit
Underlying cash deficit forecast to reach $106.6 billion in 2021-22 (5% of GDP)

Net Debt
Net debt to peak at 40.9% of GDP in June 2025

Personal Tax
Maintain the low-middle income tax offset in 2021-22

Intangible assets
Taxpayers to self-assess the effective life of new intangible assets

Patent Box
17% tax rate for eligible income from medical and biotech patents

Employee Share Schemes
Remove cessation of employment as a taxing point and reduce red tape

Temporary Full Expensing
Extend temporary full expensing for 12 months to 30 June 2023

Loss Carry Back
Extend loss carry back for losses in 2022-23 year

Global Talent
Reform tax residency rules to a 'bright line' 183-day test

Super Guarantee
Remove the $450 per month minimum income threshold for SG

Boosting Participation
Childcare more affordable to reduce barriers to work

Gender Lens
Women's Statement returns; targets safety, economic security

Health Boost
Record investment in health and essential services

Education Investment
Additional investment in early years, continued focus on skills

Infrastructure
Focus on productivity, national freight & supply chains

Introduction

The world is now in its second year of a global pandemic, which is still raging in many of our Asia Pacific neighbours. Whilst we have learned much about how to combat the virus, it has become evident that this health crisis will continue well past 2021 and that our global inter-connectiveness is both a strength and a weakness. Vaccinations, therapeutics, government policy and social practices will all be critical in keeping people safe, and economies functioning. That's why this year's Budget publication features the Government's plans around health and human services upfront.

Adam Powick
Chief Executive Officer

That being said, Australia's economy is rallying fast. Our relative success in managing the virus and simultaneously protecting our markets and economy has led to a remarkable recovery. With markets awash with cash, jobs above pre-pandemic levels, an iron ore price sky high and consumer confidence rebounding faster than Treasury had dreamed, the domestic view is much better than anyone could have predicted. Governments across the country, the business sector and our community have all worked together to benefit everyone. However, international borders remain closed, population growth is weak and some businesses and sectors will need ongoing support.

Brett Greig
Managing Partner—Tax & Legal

The contrast between the Australian and global conditions make this year's Federal Budget critical reading. Whilst Australia has navigated out of the immediate crisis, this continues to be a pandemic budget designed to manage a range of risks, prioritise job creation and essential services. Some of the announcements will start to imbed the long-term structural changes we need to build an economy that is durable, robust and resilient.

To this end, announcements in respect of the Digital Economy Strategy, which aim to set Australia up as a modern and leading digital economy by 2030, are needed to accelerate our recovery. Funding for Australian infrastructure that delivers on social and productivity outcomes, changes to our taxation settings which make it more fit for purpose, and education funding to deliver skilled 'job ready' students, will impact lives and livelihoods. We welcome policies positively affecting women, and the funding which will enable their greater security and workplace participation, benefiting our whole community.

We hope you enjoy this 2021-22 edition of the Deloitte Federal Budget publication.

Adam Powick
Chief Executive Officer

Brett Greig
Managing Partner | Tax & Legal

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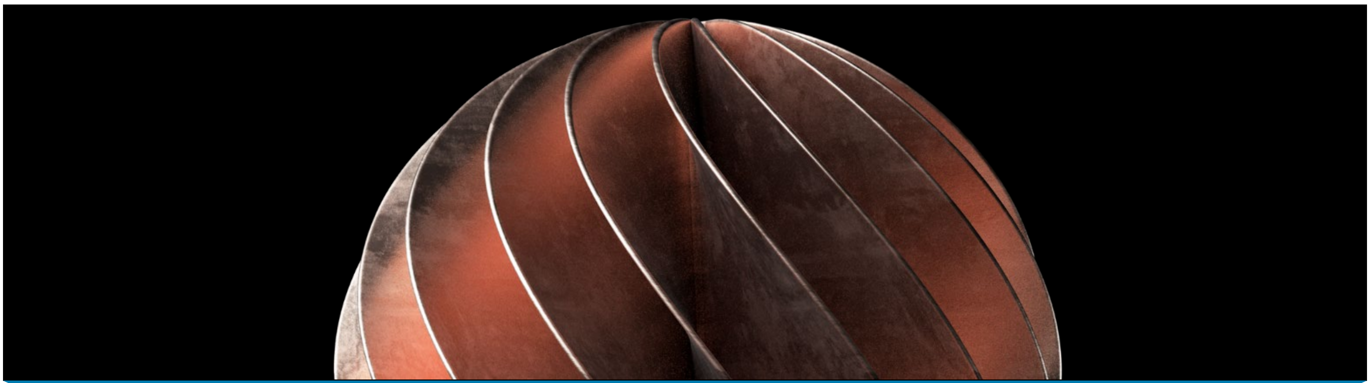


Health and human services

Key announcements

COVID-19

- $1.9 billion to continue the COVID-19 vaccine distribution, with funding for the federal, state and territory vaccination programs; support for distribution, implementation, monitoring and reporting of the rollout; and a national communications campaign bringing total investment in the vaccine rollout to $6 billion
- $879 million to continue the health response to the COVID-19 pandemic by extending Medicare Benefits Schedule (MBS) pathology and telehealth services; Commonwealth respiratory clinics; Home Medicines Service; support for remote Indigenous communities; and the Beyond Blue Mental Wellbeing Support Service
- $845 million to expand quarantine services; support the National Partnership on the COVID-19 response; and expand the National Incident Centre and National Medical Stockpile
- Commitment to develop an onshore mRNA vaccine manufacturing capability in Australia

Digital Health

- Building on the success of the temporary MBS telehealth item numbers introduced as part of the COVID-19 response, an additional $204.6 million will extend these items until the end of 2021
- $421.6 million for My Health Record that will enable consumers greater control over their digital health record, allowing them to share their health information with multiple care providers
- $50.7 million to invest in new ICT infrastructure to support MyGP, a voluntary patient enrolment platform that aims to improve continuity of primary care

Mental Health

- $2.3 billion of additional funding over four years for mental health and suicide prevention including:
- $248.6 million for prevention and early intervention programs including a single digital platform under Head to Health will provide online professional counselling
- $298.2 million towards suicide prevention with $158.6 million to work with the states and territories to provide aftercare services to Australians discharged from hospital following a suicide attempt
- $1.4 billion to improve access to high quality person-centered treatment across the mental health care systems. This will include $487.2 million for specialist Head to health Adult Mental Health centers and satellites and $278.6 million over four years to expand and enhance the headspace centre network
- For those who live with severe mental illness, who are not part of the NDIS, the Government is providing $112.4 million to continue psychosocial support services
- Additional investment to support the mental health workforce, particularly in rural and regional areas

Women’s Health

- As part of the broader agenda supporting women’s health and safety, a commitment of $351.6 million over five years to support screening and support for breast and gynecological cancers, pelvic pain and endometriosis, and stillbirth and pregnancy loss

	Disability • Focus on providing high quality and sustainable services for vulnerable Australians • An additional $13.2 billion dollars to fully fund the NDIS over four years (included in an overall growth in funding of $122 billion)
	Aged Care • Record $17.7 billion in new funding over five years for aged care, with $119 billion over the next four years • Key reform pillars are home care, residential aged care sustainability, residential aged care quality, workforce and governance • $6.5 billion for care at home with 80,000 new home care packages and support for respite and dementia • $7.8 billion for residential aged care sustainability with increased residential places and daily care fee • High quality, safe care with $366 million to improve access to health services and enhanced coordination • $650 million in training support for the workforce with 33,800 new training places for carers, retention bonus for nurses in aged care and support for Indigenous carers • Standards of care enhancement with a strengthening of monitoring and support allocated $301 million • Enhancements to systems navigation and information access with an additional $273 million and a star rating system for transparency on quality and safety comparisons with an additional $200 million

The Federal Budget commits $3.4 billion to continue Australia's COVID-19 response, including continued funding for MBS telehealth services and fast-tracking the vaccine rollout. Australia's public health response to COVID-19 has been world class and the Budget seeks to continue this as insurance for its accelerated economic recovery. The faster than expected recovery has also supported the government's $17.7 billion response to the Aged Care Royal Commission, $13.2 billion to fully fund the NDIS and $2.3 billion boost for mental health.

The past 18 months has highlighted the important link between the strength of Australia's health system and our economy. Australia's public health response to COVID-19 was world class. It protected the community, avoided overwhelming the health system and provided the backbone for the bounce back recovery. The next major task in Australia's COVID-19 response is the vaccine deployment, which has had a slow start. The Budget plans a heroic acceleration in the program to have Australia vaccinated by Christmas.

The Federal Budget 2021-22 cashes in the dividend from our world class response to COVID-19.

COVID-19

Further investment in the COVID-19 vaccination program is foundational to protecting Australians and opening our international borders, and the Government has not disappointed announcing an additional $1.9 billion for the rollout. This brings total spending to date on the COVID-19 vaccine rollout to around $6 billion.

While the rollout has been slower than hoped, we are in an extraordinarily fortunate position of having limited community transmission and low case numbers. Now the Budget is underpinned by an assumption the Australian population is vaccinated by the end of the year, the rollout needs to accelerate to facilitate the free movement of goods and people.

The Budget also gives a nod to the ongoing support of domestic production of COVID-19 vaccines, including the development of onshore mRNA vaccine manufacturing capability.

Digital Health

The Digital Health agenda continues to be an area of focus following the rapid uptake of telehealth through COVID-19. In previous years, investments were targeted towards integrated and coordinated healthcare and the adoption of disruptive technology.

This Budget sees $204.6 million to extend MBS telehealth items until the end of the year, building on the success of over 56 million MBS funded telehealth services delivered to 13.7 million patients since March 2020.

The continued commitment to telehealth provides a step toward to a digitally enabled health system, however while funding for telephone-based calls to your GP and Specialist are welcomed, we are yet to see Australia fully embrace the shift to a more mature virtual care model. However, the further investment in telehealth coupled with investment in digital infrastructure to support improvements to care delivery will continue our progress towards this aim. Budget announcements included:

- $421.6 million invested in the My Health Record that will give consumers greater control over their health information and improve quality of care by allowing consumers to share their medical records with multiple providers
- $50.7 million to progress the work to provide ICT infrastructure that will support the implementation of MyGP, a platform for voluntary patient enrolment platform which is a key plank of the Government's 10-year Primary Health Care Plan
- $200.1 million to enhance the myGov service to further improve consumer experience when accessing digital services
- Investments in digital mental health services (see Mental Health below).

Mental Health

$2.3 billion of additional funding is being provided for mental health and suicide prevention services over the next four years. This commitment builds upon previous funding for mental health that had been allocated in response to the bushfires ($100.9 million), youth mental health ($461.1 million) and supporting Australians through the COVID-19 pandemic ($500 million). The additional funding is in response to the Productivity Commission and National Suicide Prevention Adviser reviews. The package focusses on five pillars of support:

- Prevention and Early Intervention
- Suicide Prevention
- Treatment
- Supporting the Vulnerable
- Workforce and Governance.

The Government is committing funding to a variety of programs ranging from investing $111.2 million to improve the availability of digital mental health services and $79 million to implement initiatives under a new National Aboriginal and Torres Strait Islander Suicide Prevention Strategy. These initiatives will be progressed with states and territories for a new national agreement on mental health and suicide prevention.

Women's Health

The Federal Budget sees investments in Women's Safety, Economic Security, and Health and Wellbeing. The Government will invest in health care services for women totalling $351.6 million which include Breast Cancer, Cervical Cancer, Ovarian Cancer, Endometriosis and Pelvic Pain, and others. Please refer to the Gender Lens section for more details.

Aged Care

The Australian Government has committed to building trust in the system and ensuring older Australians are treated with respect, care, and dignity as key foundations of the Budget. The Federal Budget response to the Royal Commission into Aged Care Quality and Safety sees a record injection of new funding of $17.7 billion dollars over five years for aged care reform. This takes aged care funding to $119 billion over the next four years.

The five pillars of the reform agenda are home care, residential aged care sustainability, residential aged care quality, workforce and governance:

- Home care: $6.5 billion has been allocated to support care at home with 80,000 new home care packages contributing to clearing the current home care waitlist and $798 million for respite and dementia support
- Residential aged care sustainability: $7.8 billion supporting increased sustainability with an additional $10 per resident per day in the basic daily care fee contributing to offsetting the cost of care; and a continuation of the 30 percent increase in the homelessness and viability supplements
- Residential aged care quality: funding of $3.9 billion for an additional 200 minutes per resident per day in care and respite which includes 40 minutes of mandated registered nurse time; and $366 million to improve access to health services and enhance coordination with access to an ecosystem of health and wellbeing support for older Australians
- Workforce: an additional $650 million in training support with 33,800 new training places for carers, retention bonuses for nurses in aged care and support for indigenous carers
- Governance: standards of care enhancement with a strengthening of monitoring and support through $301 million for capacity enhancements to the independent Aged Care Quality and Safety Commission.

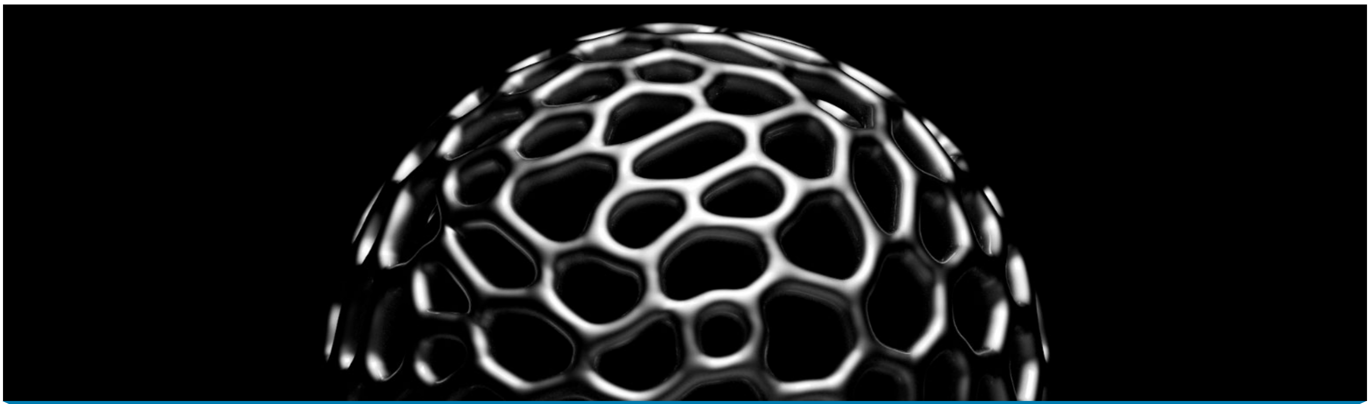
In addition to the five pillars, funding for aged care infrastructure will be increased with support in regional, rural and remote areas. Further legislative changes, including a new Aged Care Act, will see an additional $27 million over four years and a new Aged Care Advisory Council with $21 million over four years. To address the challenges of system navigation and information access, the Budget sees an additional $273 million allocated to enhance transparency for consumers with comparatives on quality and safety with a star rating system.

Disability

As part of the overall commitment in this Budget to ensuring sustainable social services to support all Australians, an additional $13.2 billion dollars will be provided over four years to fully fund the NDIS, increasing total funding to $122 billion dollars. The new funding includes $17.9 million over four years to support young children with developmental disabilities early in life by ensuring families can access community support.

Job seekers eligible for Disability Employment Services will gain the option of digital services through Online Employment Services from 1 January 2022 and as part of the Digital Services pathway in the New Employment Services Model from 1 July 2022.

Luke Baxby
Health & Human Services



Economic overview

Key metrics

- The Australian economy is recovering fast, and the strength of that recovery is spilling over to good news on the Budget front too.
- Relative to the official forecasts released six months ago, the faster-than-predicted economic recovery has tipped $104 billion back into Treasury's pockets between now and 2024-25.

- Most of that windfall has been spent, with new policies - including an extra year of the Low and Middle Income Earners Tax offset (LMITO), but dominated by new spending on aged care and other social programs - handing $96 billion back to families and businesses.
- These new policies reflect political realities, including the potential for an election to be held before next year's Budget is brought down. Yet they also reflect the consensus view of economists that the economy can run hotter than it has been allowed to do in times past, with an unemployment rate sustainably below 5%.

- With COVID numbers very low, families are out and about, and their spending has underpinned a remarkable rebound in jobs. And at the same time prices for many of Australia's key exports to world markets are riding high - especially iron ore.

- So there's better news on expected tax collections, notably including corporate and personal taxes. And there's savings on spending too. The upshot is that the underlying cash deficit is forecast at $161 billion in 2020-21, $37 billion better than forecast in the December 2020 Mid-Year Economic and Fiscal Outlook (MYEFO).

- And although debt is much higher than it was pre-COVID, it is what that debt costs that's much more important: Treasury forecasts net interest payments in every year through to 2024-25 at 0.7% of national income. Strikingly, that's less than the 0.8% of national income that we paid in 2018-19. That says the defence of Australian lives and livelihoods has been much cheaper than most realise.

- Yet the economic costs will linger: Treasury continues to project both population and national income to permanently fall short of their pre-COVID expectations. And the bill for the new spending contributes to a deficit still seen by official forecasters at $57 billion in 2024-25.
- At some stage, that lingering deficit should be addressed. A healthier budget is an asset we should aim for. But we may not hear much about that until after the next election.

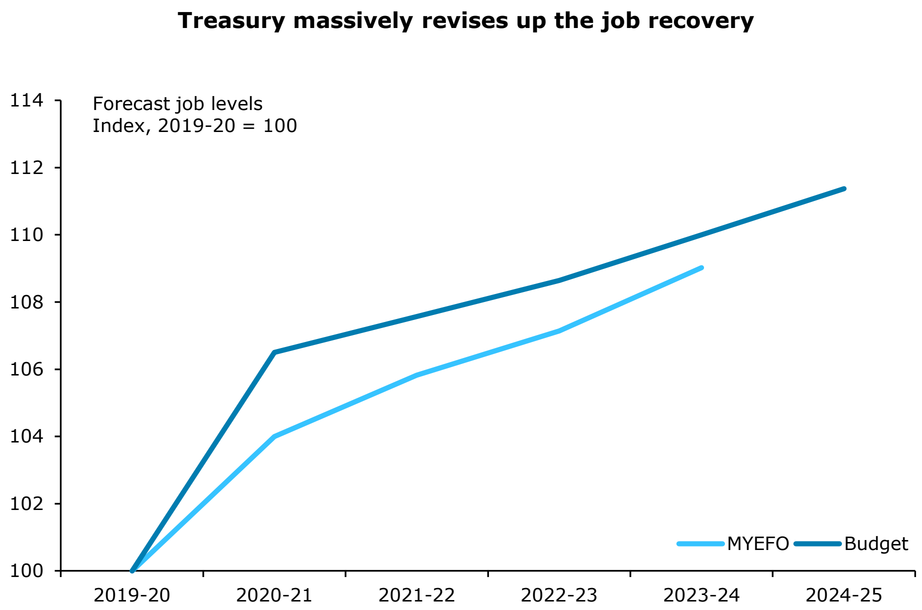
Federal Budget 2021-22: Red hot recovery drives budget repair

The coronavirus crisis has had an enormous effect on the economy and on the Budget.

And the fortunes of those two have been closely intertwined, with the Budget used to protect the economy while the nation struggled to keep COVID case numbers low.

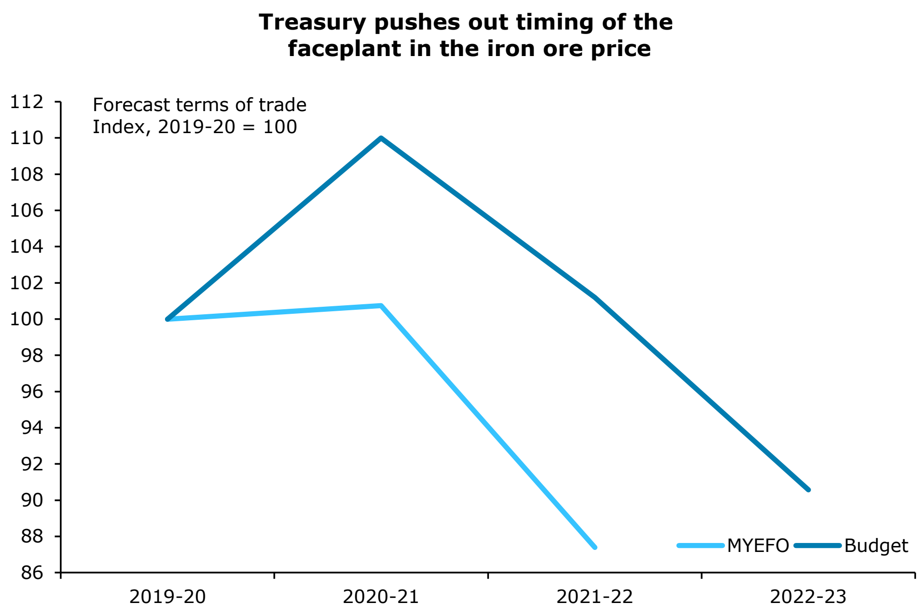
Yet to date that strategy has worked well, and the fruits of success are written all through the new Budget, including in the number of jobs.

The economy is already markedly better than Treasury feared in its earlier forecasts, and that outperformance is expected to continue. For example, as the chart below shows, the job recovery unveiled in the Budget far surpasses earlier hopes on that front.



And although much commentary will focus on the upward revisions to official forecasts of real GDP – the size of the economy – the good economic news is actually much more widespread than that measure accounts for.

That's because of two unusual things that have happened through this crisis to date. First, as the chart below shows, the world is giving us a pay rise despite the recession (via better prices for iron ore, LNG and thermal coal).



And, second, the world is giving us a cost cut too (via lower interest rates on our foreign debt – felt by families as lower interest rates on their mortgages).

That combination has generated a 'red-hot' recovery – one that is helping the Budget get better.

And yes, it is a red-hot recovery: it still seems to come as a surprise to many that global growth is recovering fast, that Australia's world class defence against the virus has us near the front of that pack, that Australian living standards grew faster than their decade average through 2020, that we are the first (and so far only) advanced nation to have more jobs now than before the pandemic, and that overall job momentum is set to be only temporarily disrupted by the end to JobKeeper.

That backdrop has generated three economic developments that are particularly helpful for the Budget bottom line:

- First, jobs have returned much faster than Treasury assumed. That's even more central to the economic outlook than usual, because COVID's economic pain has centred on jobs.
- Second, the world is giving us a much larger pay rise than Treasury forecast – notably seen in iron ore prices, though other export prices are looking healthier too.
- Third, families have been happier to open their purses and wallets than Treasury had forecast.

The result is a strong recovery that has allowed Australian families and businesses to mostly power through a phase in which a range of emergency supports have run their course (wage subsidies, extra unemployment benefits, early access to super, and a range of mortgage and rent deferrals).

What next?

The recovery is rapid partly because it can be – there are unemployed people who can become employed, empty shops and offices that can fill back up again, and grounded airplanes and travellers who can return to the skies.

In other words, the recovery is big because the recession that preceded it was sharp.

And the Government's aim remains what it has been for some time now: to fix the economy first and deal with the deficit later. That's sensible, as it means that the Government has got the basic recipe right, aiming to repair the Budget by repairing the economy.

Yet how do we know when the economy is 'repaired'? What is the right line in the sand?

At some stage the speed of the recovery will slow as the available slack in the economy is worked off. To be clear, we're not there yet – for example, Victoria was the hardest hit part of Australia's economy last year, and some of the expected strength in the wider Australian economy during 2021 is simply that Victoria has some catch up potential left.

But we need the right target to aim for in economic repair. For example, the Reserve Bank has made it clear that unemployment needs to fall to the "low 4s" or "high 3s" before it raises interest rates. That's why the Government took the chance ahead of the Budget to revise its earlier target of "*comfortably under 6%*", declaring that it wanted to "*drive the unemployment rate down to where it was prior to the pandemic and then even lower*".

That's good news. That new target is more in line with the consensus among economists that the 'natural' rate of unemployment is near 4½%, and it is in line with Deloitte Access Economics' own view that attempting budget repair too early would risk hurting the economy – and therefore hurting the Budget.

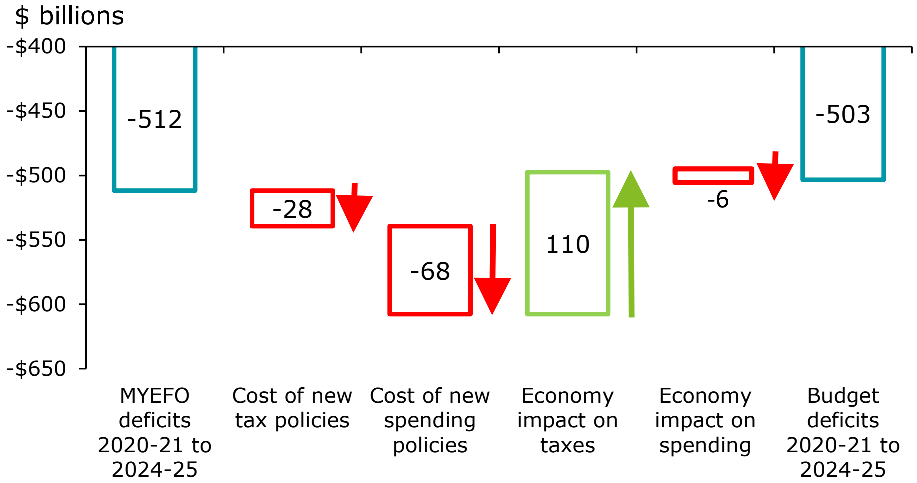
It also means that the Government is being more ambitious on driving unemployment down than any Australian Government has been in a number of decades.

That more ambitious target also explains why there was no particular pivot towards budget repair. The Government is still announcing new spending and extending tax cuts, on the view that spending more now will eventually make both the economy and the Budget healthier still down the track.

The tax take has been wounded, but it's coming back

Earlier forecasts for the tax take made by Treasury had assumed the coronavirus crisis would have a massive impact on the tax take.

The revised numbers just released in the Budget now paint a happier picture. As the chart below shows, Treasury now sees the economy boosting the Budget much more than it did six months ago. That $110 billion write up in extra expected tax collections is central to understanding this Budget: it provides the secret sauce via which the Budget succeeds in announcing many new goodies while at the same time conjuring up modestly smaller deficits.



Relative to the official forecasts released six months ago, the faster-than-predicted economic recovery has tipped $104 billion back into Treasury's pockets between now and 2024-25 – $110 billion via higher taxes (see the green arrow in the above chart), partly offset by $6 billion in higher spending.

Most of that windfall has been spent, with new policies – including an extra year of the Low and Middle Income Earners' Tax offset (LMITO), but dominated by new spending on aged care and other social programs – handing $96 billion back to families and businesses. That shows up in the chart above as $28 billion via lower taxes, and $68 billion via increased spending.

And now for the tricky bit

So most of the budgetary news is good. But some of it isn't. Even once the economy is repaired – and unemployment is comfortably under 5% – the Budget still won't be quite as healthy as we'd like it to be.

To be clear, repairing the economy does indeed do the vast bulk of the heavy lifting. But there's still a budget repair task even with a repaired economy.

That's because:

- There's been some extra spending – although the vast bulk of recent spending has been temporary, some of it isn't, with the Budget's aged care package being a good example of that
- Years of weak wage and price growth are unlikely to be followed by a period of catch up, and weaker wages and prices weigh on the ability of an income tax system to raise revenue
- At the same time weaker population growth and business investment spending as a result of the coronavirus crisis mean the future size of the economy is also smaller than pre-COVID forecasts for it. That hurts the Budget too, partly as migrants tend to be younger and more skilled than the average Australian worker – which is why we welcome them as migrants
- Finally, COVID means more debt, and overall interest payments are higher than what would have been seen if the virus hadn't hit.

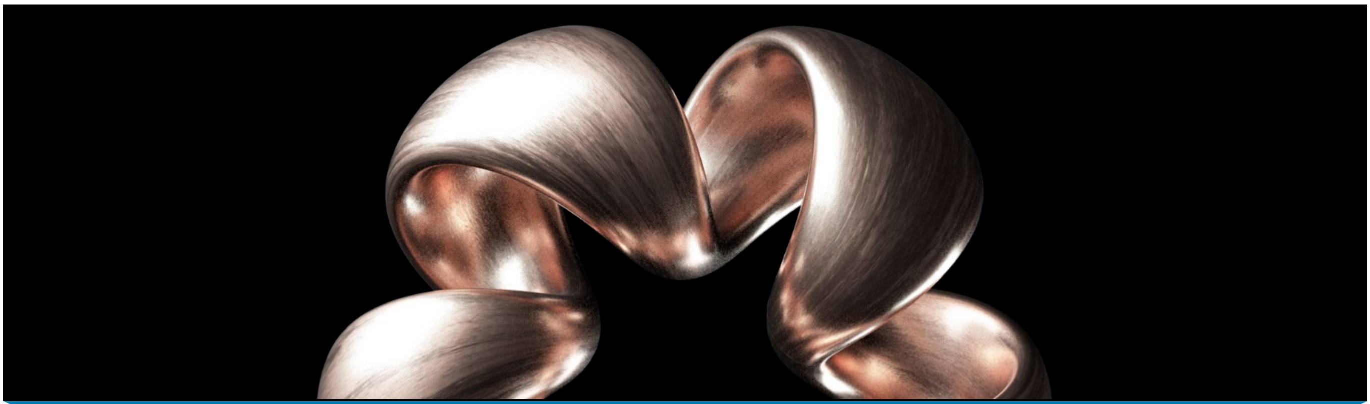
That's why the official estimates still point to underlying cash deficits of $57 billion in 2024-25. That glimpse of the medium-term outlook says that there's an eventual bill to pay to nurse the Budget back to full health – that task isn't nearly as large as many seem to fear, but it is considerable.

And the politics here are horrendous. If you'd like a yardstick, the last Budget that tried to save a similar share of national income was in 2014, and it is widely seen as having torpedoed the fortunes of Tony Abbott and Joe Hockey.

At some stage, that lingering deficit should be addressed. A healthier budget is an asset we should aim for.

But we may not hear much about that until after the next election.

Chris Richardson
Deloitte Access Economics



Individuals

Key announcements

- The Low and Middle Income Tax offset (LMITO) is extended for a further one year period, broadly providing certain middle income earners with a second year of “super-charged” tax rate cuts. Tranche 3 of the personal income tax plan remains unchanged and commences in 2024-25 as legislated
- The Government is removing the exclusion of the first $250 of deductions for prescribed courses of self-education
- The individual tax residency rules will be simplified and modernised.
- The Government is removing the cessation of employment taxing point for tax-deferred Employee Share Schemes (ESS). This will apply to ESS interests issued on or after 1 July following Royal Assent. The Government is also making regulatory improvements by removing red tape
- The immigration measures announced in the Federal Budget 2021-22 are designed to provide flexibility to businesses who are unable to access labour in key sectors as result of COVID-19 and Australia’s international border closures. The Government is also focusing on economic recovery and attracting highly skilled individuals to Australia in future focused growth sectors.

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

The maximum non-refundable LMITO will be extended for a further year (2021-22 income year) 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

When originally introduced, 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.

However, with the Tranche 2 rate cuts brought forward to commence from 1 July 2020 in the October 2020 Budget, the Government retained the LMITO for 2020-21, broadly providing certain middle income earners with a temporary "super-charged" tax rate cut. In this year's Federal Budget, the LMITO has been further extended for 2021-22, as a further stimulus measure. Taxpayers receive the offset as a lump-sum after lodgement of their tax returns.

The low income tax offset is unchanged and will continue as follows:

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

Personal income tax thresholds

The personal tax rates are unchanged and are as follows:

Rate (%)	From 1 July 2020 Income range ($)	From 1 July 2024 Income Range ($)
Tax free	0—18,200	0—18,200
19	18,201—45,000	18,201—45,000
30		45,001—200,000
32.5	45,001—120,000	
37	120,001—180,000	
45	>180,000	>200,000
Low and middle income tax offset	Up to $1,080 (to 2021-22)	0
Low income tax offset	Up to $700	Up to $700

The Government has affirmed the commitment to the tax rate changes from 1 July 2024. These changes are already legislated.

Medicare levy

The Medicare levy remains unchanged at 2% of taxable income.

Self-education expenses

Taxpayers may be able to claim a deduction for self-education expenses if their self-education relates to their current work activities as an employee. In some circumstances, the first $250 of a prescribed course of education expense is not deductible.

The Government will remove this exclusion. This measure will have effect from the first income year after the date of Royal Assent of the enabling legislation.

New simplified tax rules to determine tax residence status for individuals

The Australian Government has announced its intention to legislate new tax rules to determine when an individual is tax resident of Australia. Relevantly, an Australian resident can be taxable in Australia on their worldwide income and capital gains, whereas a foreign resident is taxable in Australia only on Australian sourced income and gains from selling 'taxable Australian property' such as Australian real estate.

The existing rules have applied for more than 80 years, and are based on legal concepts such as 'domicile' and 'permanent place of abode'. The new rules, which the Government has stated will be based on recommendations by the Board of Taxation in its 2019 report "*Reforming Individual Tax Residency Rules – A Model For Modernisation*", are expected to be based on:

- The primary test ('bright-line') will be if a person is physically present in Australia for 183 days or more in an income year
- The secondary test will look at a combination of physical presence and measurable objective criteria.

The new rules will apply from 1 July following Royal Assent.

Deloitte comment:

These changes are intended to simplify and clarify the rules for determining whether an individual is taxed as a resident on worldwide income, or as a foreign resident taxed on only Australian-source income and gains from 'taxable Australian property'. Simple rules means an individual can determine their tax status with certainty, without needing to seek a private binding ruling from the ATO. However, with any 'bright line' test, small differences in days inside or outside Australia (eg, unforeseen travel delays) can have significant tax cost implications.

Changes to improve access, appeal of employee share scheme

The Government has announced its intention to remove the potential taxing point for employee share schemes (ESS) at termination of employment, bringing the tax rules more in line with our major trading partners. This means the taxing point can extend beyond termination of employment, to the earliest of, broadly:

- For shares – when they are no longer subject to a real risk of forfeiture and/or genuine sales restrictions
- For rights/options – after exercise where the shares are no longer subject to a real risk of forfeiture and/or genuine sales restrictions.

to a maximum deferral of 15 years from the date the shares or rights were granted.

To simplify regulatory requirements, the Government will also

- Remove disclosure requirements, and exempt the offer from licensing, anti-hawking and advertising prohibitions for ESS, where employers do not charge or lend to the employees to whom they offer ESS

- Increase the value of shares that can be issued to an employee with simplified disclosure requirements, and exemptions from licensing, anti-hawking and advertising requirements, from $5,000 to $30,000 per employee per year (leaving unchanged the absence of such a value cap for listed companies), where employers do charge or lend for issuing employees shares in an unlisted company.

Deloitte comment:

The income tax event at the date the individual ceases employment has often left participants in employee share plans taxable on a benefit at time they are unable to liquidate it to cover such taxes. Australia has long been an outlier globally in this regard. We believe the removal of this tax event better aligns the tax event with the economic event arising from such remuneration benefits and removes the punitive impact of the previous legislation.

For unlisted companies, the current regulatory requirements associated with offering shares or rights to participants is extremely cumbersome. Many of the employer requirements for offering securities to participants of employee share schemes at both federal and state levels are conflicting or extremely complicated to comprehend and comply with. Whilst the government removed many of these with the 'start-up' income tax and valuation changes in 2015, the regulatory complexity remained. With the announced changes, the majority of requirements for employers when issuing shares or rights to participants of unlisted companies should be removed.

After introducing best in class income tax simplifications in 2015 for unlisted start-up companies, it was disappointing at the time that nothing was done to simplify the burdensome regulatory rules associated with offering securities to participants in an employee share scheme. Whilst the devil will be in the detail with this new legislation, any changes which assist unlisted companies to allow their workforce to participate in share and rights incentive schemes in a more efficient and effective way are welcomed and further demonstrates the desire to remove administrative burdens from this sector of the economy.

Immigration

Global business and talent

The Government introduced the Global Talent visa in November 2019 with the objective of attracting highly skilled professionals to Australia via a streamlined permanent residence visa pathway. The Treasurer highlighted the importance of this visa program the Federal Budget 2021-22, and Australia's ability to target global talent in future focused sectors. The Treasurer stated, "Australia's effective management of COVID makes us an even more attractive place for the best and brightest from around the world". The Government has committed $550 million over the next four years to attract talent and businesses from overseas.

The Government is also aiming to attract skilled talent to Australia by modernizing the framework for individual tax residency.

Migration program planning levels 2021-22

The Government will maintain the 2021-22 Migration Program planning level at 160,000 places. Places in the Family and Skilled stream will be maintained at their 2020-21 planning levels, with a continued focus on onshore visa applicants, and reducing the onshore Partner visa pipeline. Approximately 50% of places in the skilled program will be allocated to the employer sponsored Business Innovation and Investor Program and Global talent visas. Places in the Humanitarian Program will be maintained at 13,750, and the size of the program will remain as a ceiling rather than a target.

Net Overseas Migration is expected to fall from around 154,000 persons in 2019-20 to approximately 72,000 persons by the end of 2020-21, before gradually increasing to around 201,000 persons in 2023-24.

Student visa holders – tourism and hospitality sectors

Student visa holders will temporarily be permitted to work more than 40 hours per fortnight (as stipulated by their visa conditions) provided they are employed in the tourism or hospitality sectors.

Agriculture sector

The changes announced in the Budget for the tourism and hospitality sectors are consistent with the changes introduced on 5 January 2021, whereby work limitation conditions have been temporarily removed for student visa holders enabling them to work more than 40 hours per fortnight if employed in the agriculture sector.

The Government has removed the requirement for applicants for the Temporary Activity visa to demonstrate their attempts to depart Australia if they intend to work in the agriculture sector.

Furthermore, the Government is providing $29.8 million to help farmers attract and retain skilled workers to create a proficient agriculture workforce of the future.

Pacific labour mobility

Individuals in Australia under the Seasonal Worker Programme and Pacific Labour Scheme had their visas extended for 12 months in April 2020. This measure provided regional Australia with access to required labour during COVID. It was confirmed in the Federal Budget 2021-22 that these arrangements will remain in place until April 2022.

Temporary activity visa (Subclass 408)

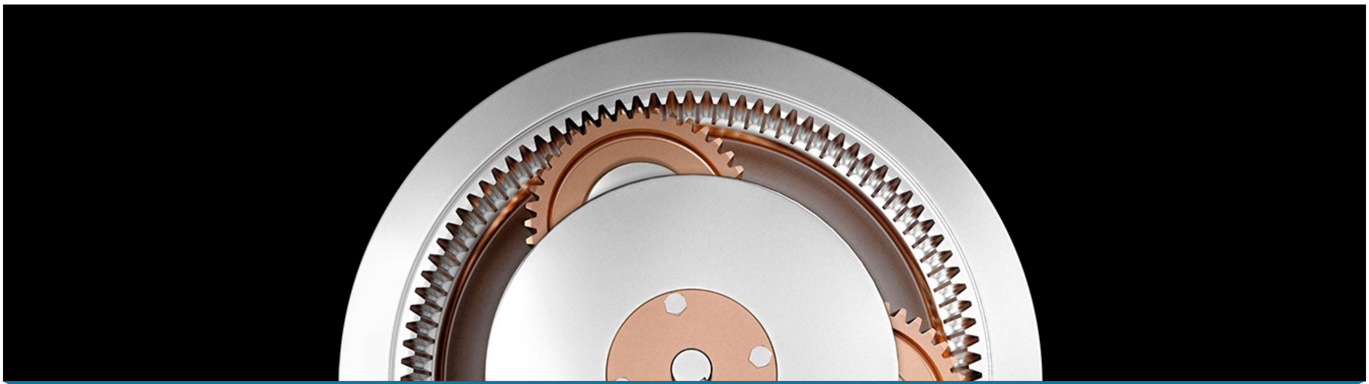
Applicants for the temporary activity visa will now be permitted to lodge their application with the Department of Home Affairs 90 days prior to visa expiry, this has been extended from the current restriction of 28 days prior to visa expiry.

Sponsored Parent (Temporary) Visas — extension of validity period

The validity period of Sponsored Parent (Temporary) visas will be extended by 18 months for individuals who are unable to enter Australia to utilise their visa due to Covid-19 travel restrictions.

Shelley Nolan
Global Employer Services

Fiona Webb
Global Immigration
Asia Pacific Immigration Leader



Business taxes

Key announcements

- Legislative amendment to enable taxpayers to self-assess effective life of certain intangible assets
- Temporary full expensing and temporary loss carry-back measures from Budget 2020-21 extended for a further 12 months
- Small business entities (including individuals carrying on a business) with aggregated turnover of less than $10 million per year can apply to the AAT to pause or modify ATO debt recovery actions
- Construction commencement requirement under the Homebuilder program extended from six months to eighteen months for all applications (i.e. for all contracts signed from 4 June 2020 through to 31 March 2021 inclusive)
- Finalisation of a framework for corporate collective investment vehicle offering flow-through tax treatment for investors and establishment of a new ATO early engagement process to encourage and support new business investment in Australia
- Eligible distillers, brewers and manufacturers of other fermented beverages such as non-traditional cider (alcohol manufacturers) will receive a 100% remission of the excise payable on their products, up to an annual cap of $350,000, from 1 July 2021

Self-assessing effective life of certain intangible assets

As part of the Government's $1.2 billion Digital Economy Strategy, the Government will amend the law to allow taxpayers to self-assess the effective life of certain intangible assets including patents, registered designs, copyrights, licenses and in-house software, instead of being required to use the effective life currently prescribed in section 40-95(7) of the *Income Tax Assessment Act 1997* (ITAA 1997). This will enable taxpayers to depreciate such intangible assets more quickly where they self-assess the asset as having a shorter effective life than the statutory effective life.

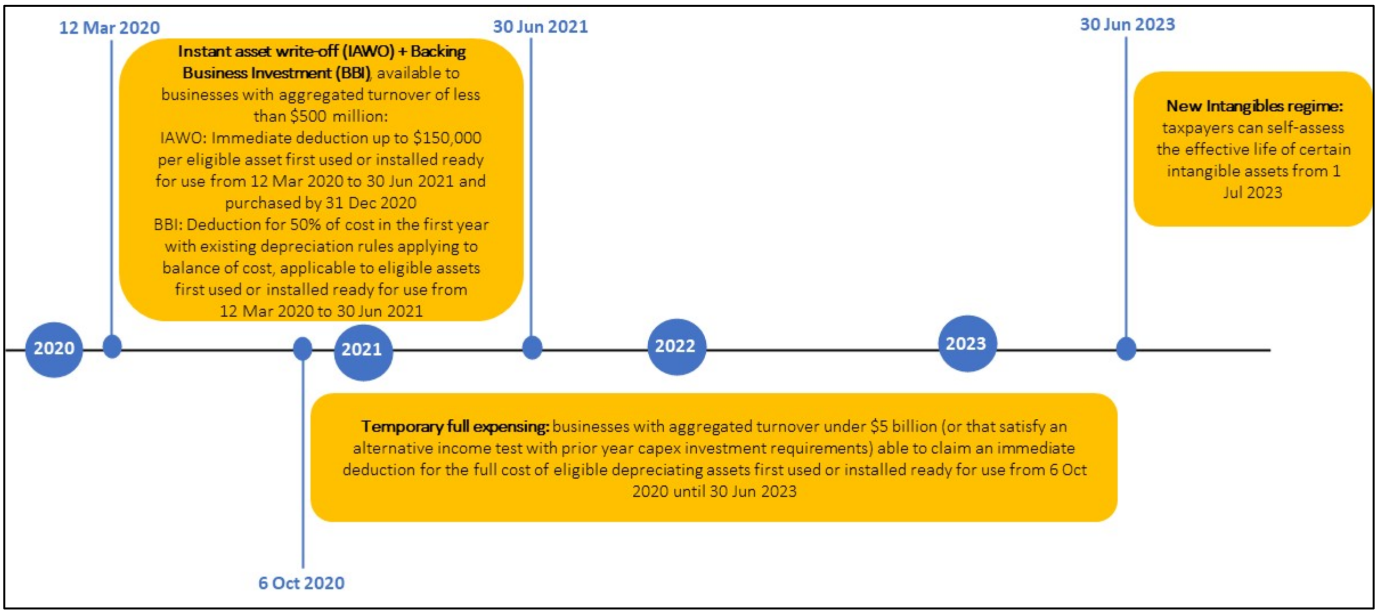
This announcement is similar to the announcement from the Turnbull Government as part of the 7 December 2015 National Innovation and Science Agenda announcement, and the December 2015 MYEFO statement. The measure was included in a Bill introduced into Parliament in March 2017. The Bill was eventually passed by the Parliament almost two years later in February 2019, but only after the intangible assets effective life measure was removed from the Bill due to lack of support from the Australian Labor Party and Greens. As a result, the statutory effective lives remained in place.

The current statutory effective life for intangible assets covered by section 40-95(7) of ITAA 1997 is shown in the table below.

Effective life of certain intangible depreciating assets		
Item	For this asset:	The effective life is:
1	Standard patent	20 years
2	Innovation patent	8 years
3	Petty patent	6 years
4	Registered design	15 years
5	Copyright (except copyright in a *film)	The shorter of: (a) 25 years from when you acquire the copyright; or (b) the period until the copyright ends
6	A licence (except one relating to a copyright or *in-house software)	The term of the licence
7	A licence relating to a copyright (except copyright in a *film)	The shorter of: (a) 25 years from when you become the licensee; or (b) the period until the licence ends
8	*In-house software	5 years
9	*Spectrum licence	The term of the licence
10	*Datacasting transmitter licence	15 years
11	*Repealed*	
12	*Repealed*	
13	*Repealed*	
14	Telecommunications site access right	The term of the right

The self-assessment of effective lives will apply to eligible assets acquired from 1 July 2023, following the conclusion of Temporary Full Expensing regime, which has been extended to 30 June 2023 (see below).

A simplified summary of the tax depreciation measures available to taxpayers is shown below:



Temporary full expensing extended until 30 June 2023

The Government will extend the Budget 2020-21 measure allowing for the temporary full expensing of eligible depreciating assets for a further 12 months, until 30 June 2023.

Under this measure, businesses with aggregated turnover of less than $5 billion (or that satisfy an alternative income eligibility test) can deduct the full cost of eligible capital assets acquired after 7.30 pm AEDT on 6 October 2020 and first used or installed ready for use by 30 June 2023.

All other elements of temporary full expensing remain unchanged, including the alternative eligibility test based on total income together with prior year capex investment requirements.

Temporary loss carry-back extended to include the 2022-23 income year

Similarly, the Government will extend the Budget 2020-21 measure allowing for the temporary loss-carry back for a further 12 months, to include the 2022-23 income year.

Under this measure, corporate tax entities with an aggregated annual turnover of less than $5 billion can carry back tax losses incurred in an eligible year 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 and complements the temporary full expensing measure by allowing more companies to take advantage of expensing, while it is available.

This measure will allow eligible companies to carry back (utilise) tax losses from the 2019-20, 2020-21, 2021-22 and now the 2022-23 income year to offset previously taxed profits as far back as the 2018-19 income year 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 the 2020-21, 2021-22 and 2022-23 tax returns. Companies that do not elect to carry back losses under this measure can still carry losses forward as normal.

Small business entities – application to AAT

The Government will enable small business entities (including individuals carrying on a business) with an aggregated turnover of less than $10 million per year to apply to the Administrative Appeals Tribunal (AAT) to pause or modify ATO debt recovery actions, such as recovery of the primary tax debt, application of garnishee notices and/or related penalties and interest until the underlying dispute is decided by the AAT.

This measure will provide an avenue for small businesses to ensure that they are not required to start paying a disputed debt until the matter has been determined by the AAT.

To ensure the increased powers are applied appropriately, the AAT will have regard to the integrity of the tax system in deciding whether to pause or modify the ATO's debt recovery actions. These new powers will be available in respect of proceedings commenced before the AAT on or after the date of Royal Assent of the enabling legislation.

COVID-19 HomeBuilder program – construction commencement extended

The HomeBuilder program provides eligible owner-occupiers (including first home buyers) with a grant of up to $25,000 to build a new home or substantially renovate an existing home. The program intends to support confidence in the residential construction sector and encourage consumers to proceed with purchases or renovations that may have been delayed due to COVID-19.

On 17 April 2021, the Government announced that it would extend the construction commencement requirement under the program from six months to 18 months for all applications (i.e. for all contracts signed from 4 June 2020 through to 31 March 2021 inclusive).

Corporate tax residency rules

In the 2020-21 Budget, the Government announced that it will amend 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.

The Government has announced that it will be consulting on broadening this amendment to trusts and corporate limited partnerships.

Establishment of a new ATO early engagement service

The ATO will introduce a new early engagement service aimed at encouraging and supporting new business investments into Australia. The service will be available for eligible investors from 1 July 2021 following a period of consultation between the ATO, business and other stakeholders during May and June 2021.

The Government announced the service will:

- Provide "up front" confidence to investors about how Australian tax laws will apply
- Be tailored to the particular needs of each investor
- Offer support in relation to any or all federal tax obligation
- Accommodate specific project timeframes, and other time sensitive aspects of a transaction such as Foreign Investment Review Board (FIRB) approvals
- Where binding advice is desired, it will also incorporate access to expedited private binding rulings and advance pricing agreements
- Integrate with the tax aspects of the FIRB approval process (if applicable) so that investors only need to provide information once.

Finalisation of the corporate collective investment vehicle framework

The Government will proceed with the introduction of a tax and regulatory framework for corporate collective investment vehicles (CCIV) with a revised commencement date of 1 July 2022. Specifically, the Government will finalise the CCIV component of the measure titled '*Ten Year Enterprise Tax Plan — implementing a new suite of collective investment vehicles*' first announced in the 2016-17 Budget. Since the original announcement, the Government has undertaken consultation in relation to the development of legislation for the measure.

The CCIV is an investment vehicle with a corporate structure that provides flow- through tax treatment for investors. This investment vehicle will enhance the international competitiveness of the Australian managed funds industry by allowing fund managers to offer investment products using vehicles that are more familiar to overseas investors.

Taxation of Financial Arrangements (TOFA) regime – technical amendments

The Government will make technical amendments to the Taxation of Financial Arrangements legislation which will include facilitating access to hedging rules on a portfolio hedging basis. The amendments will also reduce compliance costs and correct unintended outcomes, so that taxpayers are not subject to unrealised taxation on foreign exchange gains and losses unless this is elected. These changes will take effect for relevant transactions entered into on or after 1 July 2022.

Junior Minerals Exploration Incentive – extended for four more years

The Government will extend the Junior Minerals Exploration Incentive (JMEI) for a further four-year period beginning from the 2021-22 income year.

International tax – removing preferential treatment for Offshore Banking Units

The Government will proceed with removing concessional tax treatment for Offshore Banking Units (OBUs), eliminating the interest withholding tax exemption and close the regime to new entrants. This follows the Organisation for Economic Cooperation and Development (OECD) raising concerns about the OBU regime as part of its practice of reviewing jurisdictions' preferential tax regimes.

Legislation giving effect to this measure was introduced into Parliament on 17 March 2021. The Government will consult on alternative measures to support the industry and help ensure activity remains in Australia.

International tax – updating the list of EoI jurisdictions

The Government will update the list of the list of jurisdictions that have an effective Exchange of Information (EoI) 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% on certain distributions, instead of the default rate of 30%. The updated list will be effective from 1 January 2022.

To be listed, jurisdictions must have established the legal relationship enabling them to share taxpayer information with Australia. This measure will add Armenia, Cabo Verde, Kenya, Mongolia, Montenegro and Oman to the information exchange countries list.

Deregulation agenda

The Government will invest $134.6 million over four years from 2021-22 to progress a deregulation agenda that aims to reduce the regulatory burden for business interactions with Government, including:

- Streamlining reporting under the National Greenhouse and Energy Reporting Scheme
- Streamlining digital services in the health sector for pharmaceutical, medical technology services and medical software industries
- Helping commercial fishing businesses meet data provision requirement and improving electronic monitoring systems that will assist fishing businesses to more efficiently meet their regulatory requirements
- Improving the technology neutrality of the Treasury portfolio legislation to enable easier communication between businesses, individuals and regulators (see further below)

- Providing additional assistance to small businesses with RegTech solutions to help them comply with modern awards, cutting costs and improving compliance
- Supporting the implementation of Automatic Mutual Recognition for multiple occupational licences across state borders.

Phase One of legislative reform for technology neutrality of the Treasury legislation will focus on the key areas raised by stakeholders which are implementation-ready, including:

- Expanding the range of documents that can be validly signed electronically
- Increasing the range of documents that can be sent electronically to shareholders and amending requirements to contact lost shareholders
- Improving flexibility for customers when changing address and consenting to electronic communication with credit providers
- Removing prescriptive requirements for notices to be published in newspapers, where suitable alternatives have been identified
- Addressing provisions in Treasury legislation where only non-electronic payment options are in place.

The Government intends to finalise legislation dealing with Phase One by the end of 2021.

Insolvency reforms

The Government will further build on the significant insolvency framework reform announced in the 2020-21 Federal Budget which came into effect on 1 January 2021, including to:

- Consult on how trusts, which are commonly used by small businesses, are treated under insolvency law
- Review whether the insolvent trading safe-harbour provisions, which were introduced in 2017 and designed to promote a culture of entrepreneurship and innovation by providing breathing space for distressed businesses, remain fit for purpose
- Consult on improving schemes of arrangement processes to better support businesses, including by introducing a moratorium on creditor enforcement while schemes are being negotiated.

Following public consultation that took place during February and March 2021, the Government will also increase the threshold at which creditors can issue a statutory demand on a company from $2,000 to $4,000.

Additional funding for regulators

The Government will provide additional funding for regulators as follows:

- $6.0 million for the Department of Treasury and the ATO to accelerate the program of tax treaty negotiations
- $49.0 million for the Department of the Treasury to support its engagement with and support for Treasury portfolio agencies, including the Australian Small Business and Family Enterprise Ombudsman, and the Australian Securities and Investment Commission (ASIC)
- $1.9 million to the ATO in 2022-23 to build an online system to enhance the transparency of income tax exemptions claimed by not-for-profit entities (NFPs)
- $16 million to the Department of Treasury over four years from 2021-22 to ensure the effective operation of the Payment Times Reporting Scheme, which came into effect on 1 January 2021
- $3.4 million to the Takeovers Panel over four years from 2021-22 (and $0.6 million per year ongoing) to respond to the significant growth in takeover disputes and support public consultation to consider broadening the role the Panel plays in control transactions, including potentially giving advance rulings and expanding the Panel’s remit to include members’ schemes of arrangement
- $11.2 million over four years from 2021-22 (and $3.1 million per year ongoing) to support stronger consumer outcomes for members of superannuation funds by providing:
    - $9.6 million for the Australian Prudential Regulation Authority (APRA) to supervise and enforce increased transparency and accountability measures as part of the Government’s Your Future, Your Super reform
    - $1.6 million to Super Consumers Australia to support stronger consumer outcomes on behalf of superannuation fund members.

Indirect tax

Heavy vehicle road user charge increase

From 1 July 2021, the Heavy Vehicle Road User Charge will increase from 25.8 cents per litre to 26.4 cents per litre. This will reduce the amount of fuel tax credit recoverable for fuel used in heavy vehicles for travelling on public roads by 0.6 cents per litre, for fuel acquired on or after 1 July 2021.

Excise relief increase for brewers and distillers

From 1 July 2021, eligible distillers, brewers and manufacturers of other fermented beverages such as non-traditional cider (alcohol manufacturers) will receive a 100% remission of the excise payable on their products, up to an annual cap of $350,000. Remission will occur automatically when eligible alcohol manufacturers lodge their excise returns with the ATO. Currently, eligible alcohol manufacturers are entitled to a refund of 60% of the excise paid to the ATO, up to an annual cap of $100,000, with refunds dependent on applications being submitted. The increased level of excise relief for eligible alcohol manufacturers will align with the $350,000 wine equalisation tax producer rebate for eligible wine producers.

Import duty related measures

Businesses importing goods into Australia will potentially benefit from import duty/dumping duty related measures including:

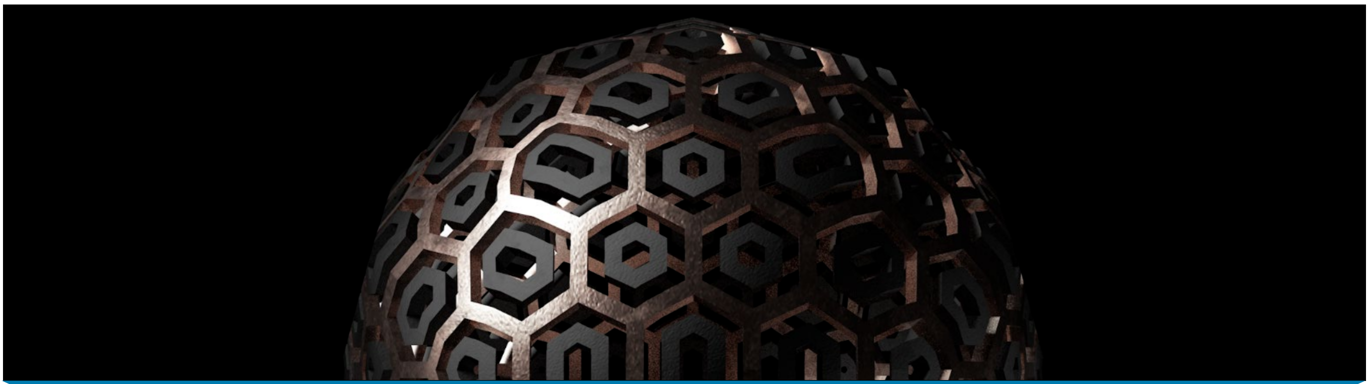
- Streamlining of current processes to allow eligible importers to claim a Tariff Concession Order based exemption from anti-dumping duties at the time import declarations are made
- Extra funding to allow for different rates of dumping duties for particular variants of relevant imported goods
- Extension until 30 June 2025 of duty free treatment for goods that are for use in the testing, quality control, manufacturing evaluation or engineering development of certain motor vehicles in Australia.

Deloitte comment:

The extension of the temporary full expensing and temporary loss carry-back measures by 12 months until 30 June 2023 is welcomed as it provides further support for business investment and job creation.

In addition, the ability for taxpayers to self-assess the effective life of certain intangible assets from 1 July 2023 allows for better alignment of tax outcomes with the underlying economic benefits provided by the asset.

Mark Hadassin
Business Tax Services



Superannuation

Key announcements

- Self-managed Super Funds (SMSF) – residency rules to be relaxed allowing SMSF members to contribute to their funds while living overseas. Central management and control absence rules to increase to five years
- SMSF members with legacy retirement products will be able to exit these products under a two-year amnesty. Members will have access to the underlying capital and associated reserves to either retain in accumulation phase or commence a more modern retirement product
- Work test repealed for voluntary contributions to superannuation including non-concessional contributions and salary sacrifice contributions but not personal deductible contributions
- Eligibility age for downsizer contribution reduced to 60 years of age
- Maximum releasable amount for First Home Super Saver Scheme increased to $50,000
- Removal of the current $450 per month minimum income threshold

We note that the below announcements are to apply from Royal Assent of the legislation, which the Government expects will be from 1 July 2022.

Self-managed Superannuation Funds – changes to residency rules

Members of SMSFs living overseas currently have a two-year window in which they are able to manage their funds while temporarily living overseas without breaching rules that require central management and control of the fund to ordinarily be in Australia. This window is to be extended to five years.

Further, the active member test will be removed, enabling members living overseas to contribute to their fund and continue to grow their retirement savings while they are temporarily absent from Australia. This measure will ensure SMSF members are treated equally to APRA regulated fund members.

Self-managed Superannuation Funds – legacy retirement products

Members of superannuation funds with certain legacy retirement products will have a two-year window of opportunity to exit these products along with associated reserves. This will enable members to move their benefits back to accumulation phase and for reserves to be allocated without counting to the member's contributions cap. They will then have the flexibility to shift to more contemporary retirement products. Products covered include market-linked, life-expectancy and lifetime products from any provider but not flexi-pension products or a lifetime product in a large APRA regulated fund or public sector defined benefit scheme.

Social security and taxation treatment will not be grand-fathered and commuted reserves will be taxed as an assessable contribution. Normal Transfer Balance Cap provisions apply to new income stream products.

Repealing the work test for voluntary superannuation contributions

Currently, individuals aged 67 to 74 years can only make voluntary contributions (both concessional and non-concessional) to their superannuation or receive contributions from their spouse if they are working at least 40 hours over a 30-day period in the relevant financial year. The Government has announced that it will remove this work test, subject to existing contribution caps. Individuals aged 67 to 74 years will still have to meet the work test to make personal deductible contributions.

Reducing the eligibility age for downsizer contributions

To allow more Australians to consider downsizing their family home, the Government has announced it will reduce the eligibility age to make downsizer contributions into superannuation from 65 to 60 years of age. Currently, the downsizer contribution allows people to make a one-off, post-tax contribution to their superannuation of up to $300,000 per person from the proceeds of selling their home. Contributions do not count towards non-concessional contributions caps.

First Home Super Saver Scheme

The Government announced the maximum releasable amount of voluntary concessional and non-concessional contributions under the First Home Super Saver Scheme (FHSSS) will increase from $30,000 to $50,000. Any voluntary contributions made from 1 July 2017 up to the existing limit will count towards the total amount able to be released.

There have also been announcements in relation to operational changes to the Scheme to assist with errors made on forms and allowing individuals to withdraw or amend their applications prior to receiving a FHSSS amount. The operational changes also allow the Commissioner of Taxation to return any released money to superannuation funds (provided it has not been released to the individual) and confirmation that those amounts will not be considered a contribution for the member. These amendments apply retrospectively from 1 July 2018.

Superannuation guarantee

It was announced that the Government will remove the current $450 per month minimum income threshold, under which employees do not have to be paid the superannuation guarantee by their employer.

There were no announced changes to the legislated rates of superannuation guarantee. 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

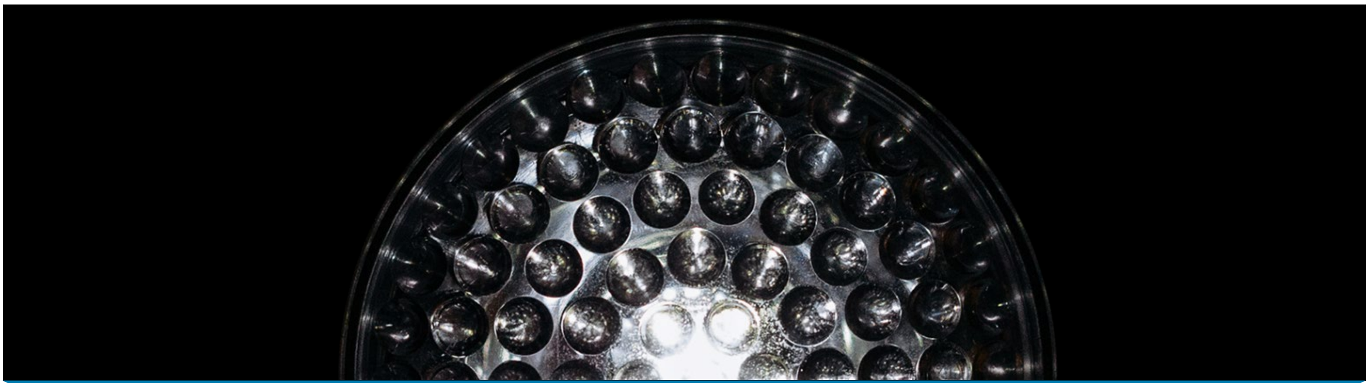
Other Budget announcements

- The Government will not proceed with a measure to extend early release of superannuation to victims of family and domestic violence
- Additional funding of $11m over 4 years has been provided for the ATO to administer the transfer of unclaimed superannuation money directly to KiwiSaver accounts
- The Government confirmed its position on improving the visibility of superannuation assets in family law proceedings by building an electronic information sharing mechanism between the ATO and the Family Law Courts to allow superannuation assets to be identified during family law proceedings
- To support stronger consumer outcomes for members of superannuation funds, additional funds will be provided predominately to APRA, to supervise and enforce increased transparency and accountability measures as part of the Your Future, Your Super reforms
- The Government has announced additional funding to consult on and develop options to improve the regulation of proxy advice. On 30 April, the Treasurer announced consultation on this which closes 1 June 2021.

Deloitte comment:

The main announcements were focused on flexibility for older Australians such as amendments to the work test and downsizer contribution changes. In comparison, the increased limit for the First Home Super Saver Scheme and superannuation guarantee minimum threshold changes were targeted at supporting women and younger Australians. Prima facie, all of these measures will be welcomed by the sector.

Meghan Speers
Superannuation—Tax



Innovation

Key announcements

- Patent box regime with a corporate rate of 17% for income derived from medical and biotechnology patents from 1 July 2022. Consultation to occur, including on possible extension to the clean energy sector
- Digital gaming tax offset of 30% from 1 July 2022 with a minimum spend of $500,000. Games with gambling elements, or that cannot obtain a classification rating, will not be eligible
- Investment of $124.1 million in a National Artificial Intelligence Centre and the appointment of four regional centres across Australia
- Increased spending on digitising small and medium sized businesses including e-invoicing
- Additional funding for aviation related emerging technologies, data management, and cyber security
- Review of existing venture capital tax concession programs to assess whether they support genuine early stage Australian start-ups

Patent box for Australian medical and biotechnology

Building on the success of the R&D Tax Incentive (RDTI) in attracting clinical trials onshore, the Government has announced a limited patent box tax regime with effect from 1 July 2022 to further encourage the commercialisation of medical and biotech innovations in Australia.

The patent box regime will apply to income which is relevantly derived from Australian owned and developed medical and biotechnology patents. Only granted patents, which were applied for after the Budget announcement, will be eligible. Income derived from eligible patents will be taxed at a concessional rate of 17%. This will represent a tax rate reduction of 8% for small to medium enterprises and 13% for large businesses.

Consultation on the detailed design will take place this year. The Government will also consult on whether a patent box would be an effective way of supporting the clean energy sector.

The requirement for the domestic development of eligible patents is aimed at satisfying the modified nexus approach (Action 5 of the OECD BEPS Project) and encouraging medical and biotech companies to develop and commercialise their innovations in Australia. The Australian Government is developing this measure concurrently with the OECD's proposed finalisation of its position on Pillar 2 (global minimum tax), and it may be necessary to consider possible interactions between these two developments.

Qualifying base rate entities will be able to take advantage of a net tax benefit of between 8.5% and 18.5% on R&D expenditure, and a reduction of 8% on the income subsequently derived from any resulting patents. Other qualifying companies will benefit from a 8.5% to 16.5% net tax benefit on R&D expenditure (based on the new intensity threshold rules from 1 July 2021), and a 13% tax reduction on income derived from any resulting patents.

Aggregated turnover	RDTI net tax benefit	Proposed patent box rate	Standard corporate tax rate
< $20 million	18.5%	17%	25%
> $20 - < $50 million	8.5% - 16.5%	17%	25%
> $50 million	8.5% - 16.5%	17%	30%

Digital games tax offset

As flagged by pre-Budget interviews and announcements, the Government announced a new $1.2 billion Digital Economy Strategy to sit alongside the previously announced Cyber Security Strategy and Digital Business Plan.

A key part of the Digital Economy Strategy is a refundable Digital Games Tax Offset (DGTO) of 30% which will target the development of transferable skills and position Australia to take a greater share of the $250 billion global gaming market. The new offset will commence with effect from 1 July 2022 for Australian resident companies or foreign resident companies with a permanent establishment (PE) in Australia.

To qualify, there will be a minimum spend requirement of $500,000 on qualifying Australian games expenditure. Games with either gambling elements or that cannot obtain a classification rating will not be eligible. The maximum DGTO a developer will be able to claim in each year is $20 million.

Consultation with industry will be conducted in mid-2021 and it is to be expected that the offset will be similar to the film incentives and be available in addition to the tax deduction, unlike the RDTI tax offset. It remains to be seen whether refunds arising from the new offset will result in deferred franking debits that currently arise in respect of RDTI tax offset refunds.

Other digital strategy funding initiatives

As well as initiatives to enhance the Government's digital health service delivery, the Digital Economy Strategy includes other initiatives focused on digitising small and medium sized businesses (SMEs) and other priority areas for digital growth:

- Investment of $124.1 million in Artificial Intelligence (AI) over the next six years including a National Artificial Intelligence Centre led by CSIRO Data 61, and the appointment of four other AI and Digital Capability Centres across Australia to assist small and medium sized businesses
- Continued investment of $200.1 million to enhance myGov and deliver simpler tailored experiences, with advanced service dashboards and document upload functionalities
- A focus on the digital capacity of small and medium businesses with a $12.7 million expansion of the Digital Solutions - Australian Small Business Advisory Service and a further $15.3 million targeted at the business uptake of e-Invoicing. This is in addition to the $6.9 million funding for the Cyber Security Business Connect and Protect Program announced in April, providing small and medium sized businesses with free advice and assistance to upgrade their cyber security
- Increased support of $35.7 million for emerging aviation technologies including drones, with direct grants expected to support the use of these technologies for priority needs in regional Australia
- $111.3 million focused on the next generation of data management, including an accelerated rollout of the Consumer Data Right with increased focus on the energy and telecommunication sectors
- Further investment of over $50 million in the Cyber Security Strategy to strengthen and enhance the cyber security aspects of government, data centres and future telecommunications networks.

Impacts on R&D claims

As expected, there were no announcements in respect of the flagship RDTI regime itself, with the amendments announced in the last Federal Budget still to take effect from 1 July 2021.

However, the extension of the Temporary Full Expensing rules to 30 June 2023 (see Business Taxes chapter) will be welcomed by businesses investing in capital equipment and expenditures to undertake R&D activities in Australia, with the full cost of tangible depreciating assets being eligible for the R&D uplift for an additional 12 months.

In contrast, the new rules for the self-assessment of effective lives for intangible depreciating assets (see Business Taxes chapter) will not affect the quantum of R&D claims, with the existing law already allowing for the full cost of intangible depreciating assets to be claimed.

Nonetheless, pressure remains on the Government to address how the RDTI regime applies to software, with the recent second interim report of the Senate Select Committee on Financial Technology and Regulatory Technology calling for a new standalone scheme for software-related claims to be considered. The report also called for RDTI quarterly refund payments amongst the 23 recommendations to Government covering tax, Consumer Data Rights, blockchain and visa issues.

The outcomes of the ATO collaboration workshop with major software companies on this issue are also due to be reported in July 2021.

Review of venture capital tax concessions

A review of the following venture capital tax concession programs has also been announced to assess whether they are fit-for-purpose and support genuine early stage Australian start-ups:

- Venture Capital Limited Partnerships
- Early Stage Venture Capital Limited Partnerships
- Australian Venture Capital Fund of Funds
- Investments made directly by foreign residents registered under Pt 3 of the Venture Capital Act 2002.

It is expected that public consultation will be undertaken in 2021.

Deloitte comment:

Both the Medical and Biotech Patent box regime and the Digital Games Tax Offset (DGTO) are welcome developments which the relevant industries have long been advocating for.

The proposed Patent box is intended to satisfy OECD requirements, and will encourage the commercialisation of medical and biotechnology developments onshore. The extension of the new regime to the clean energy sector would also be applauded.

The DGTO is the first federal tax incentive for the video games sector, and will provide companies with a significant opportunity to develop digital skills that can be transferred across a number of different industries.

Deloitte looks forward to engaging in consultation with the Government on both of these key measures in the lead up to the start date of 1 July 2022.

Greg Pratt
Global Investment & Innovation Incentives

Education and training

Key announcements

- An additional $1.7 billion dollars allocated to child care, with subsidies increasing for families with two or more children (benefiting an estimated 250,000 families) and removing the cap on the child care subsidy (benefiting as estimated 18,000 families)
- The potential for longer term funding certainty for the preschool sector, provided parameters for increasing participation and school readiness can be agreed with states and territories
- Additional schooling funding for the Literacy and Numeracy Test for Initial Teacher Education Students and extensions of current data collection exercises
- An additional $53.6 million package to support non-university higher education providers (NUHEPS), vocational education and training (VET) colleges and English Language providers who have been heavily impacted by the decline in the international education sector
- An extension of the JobTrainer Fund until the end of 2022, which will fund an additional 163,000 places in vocational education and training for school leavers, youth and unemployed Australians
- $2.7 billion will be invested over four years to expand the Boosting Apprenticeships Commencements wage subsidy, which will support more than 170,000 apprentices and trainees
- Continuing a major investment in VET system architecture, 15 industry-led skills advisory bodies will be established, and access to foundation skills will be broadened
- More than $100 million of the $1.2 billion Digital Economy Strategy will focus on the digital skills of Australia's workforce, including a cyber security innovation fund, and a pilot program for work-based digital cadetships.

Reducing the cost of child care and introducing the potential for long term funding certainty for preschool

The Budget introduces changes to the Child Care Subsidy (CCS), which will see an increase in the subsidy rate and removal of the cap, resulting in a $1.7 billion increase on the Government's investment. The subsidy increase applies to the second child enrolled in an eligible program (and subsequent children) and effectively sees a 30 percentage point increase in the applicable subsidy rate (up to the 95% subsidy cap). This change is expected to benefit around 250,000 families, with a family with two children using care four days per week benefiting by between $2,000 and $6,500 per year, depending on household income. The increase in affordability expected to spur greater levels of workforce participation among parents.

The removal of the cap is expected to have a smaller number of beneficiaries, with 18,000 higher income families who currently hit the $10,560 p.a. cap benefiting from its removal. Again, the measure is geared toward reducing the disincentives to workforce participation that high out of pocket child care costs can represent.

The Budget also outlines the potential for a longer-term commitment of Federal Government funding toward preschool and kindergarten programs in the year before formal schooling. The proposal would see the Federal Government provide $1.6 billion over four years from 2021-22 in what would be, in broad terms, a continuation of the annual investment made over the last three years.

Under the proposal, the first four years of what is intended to be long term funding would be delivered through a new agreement with the states and territories. The new agreement would replace the National Partnership Agreement on Universal Access to Early Childhood Education, which has been the subject of numerous one year extensions over recent Budgets. In this sense, the proposal has the potential to provide much sought-after certainty to both the states and territories and the sector.

However, a new agreement – and hence funding certainty – is contingent on the Federal Government and the state and territory governments reaching agreement on parameters regarding increased participation and school readiness. The Budget announcement flags the intention to tie payments to states and territories to attendance targets (from 2024) and to develop and trial new outcome measures for introduction in 2025.

Continuing to support quality schooling education

Government funding for schools has continued to grow, with total expenditure of $23.4 billion in 2021 and total recurrent funding of $289 billion over the next 10 years. Beyond this, the Government has also announced a series of small measures aimed to support quality teaching and outcomes, including investing:

- $4.0 million to expand the Literacy and Numeracy Test for Initial Teacher Education Students
- $5.8 million to continue the Australian Teacher Workforce Data collection
- $20.0 million to continue and improve the Nationally Consistent Collection of Data on school students with disability.

Providing targeted support to at-risk tertiary education providers

The Government has announced a range of measures to support private tertiary education providers who have been heavily impacted by declining international student enrolments. With international borders not expected to open until 2022, these measures are intended ensure the financial viability of providers and protect capacity.

The Budget announced a $53.6 million package to support non-university higher education providers (NUHEPS), vocational education and training (VET) colleges & English Language providers. This includes:

- $26.1 million over four years from 2021-22 to assist NUHEPS to attract more domestic students through offering 5,000 additional short course places in 2021
- $9.4 million in 2021-22 to provide grants of up to $150,000 to eligible higher education and English language providers to support innovative online and offshore education delivery models
- Extending the existing FEE-HELP loan fee exemption by six months to 31 December 2021 to reduce the financial burden for eligible students and encourage further demand at private higher education institutions
- Revising the regulatory charging arrangements to waive select fees and charges for a range of smaller providers.

Although these announcements are focused on non-university providers, there is expected to be a degree of flow-on benefits to public universities. Courses at private colleges are commonly used by international students as a pathway to enrolling at university. Historically, around 35% of student visa applications for study at universities were made by students who were already onshore – typically holding a visa from existing study in a pathway program. This suggests that supporting non-university providers may help protect this critical pipeline into the university system.

Skills remain top of the agenda for COVID-19 recovery

Job Trainer Fund extension will continue to support training for target school leavers, youth and unemployed Australians

An additional 163,000 places in vocational education and training will be supported through the expansion of JobTrainer Fund until the end of 2022. The JobTrainer Fund sits within the JobMaker scheme, announced in the 2020-21 Budget. The extension of the Fund for another 12 months sees an additional $500 million of funding committed by the Commonwealth and proposes this be matched by state and territory governments. The JobTrainer Fund provides free or low-fee access to training for job seekers and 17 to 24-year-olds for training places in areas of skills shortage. The scheme's extension will support 10,000 places in digital skills training and 33,800 places for existing and new aged care workers to upskill.

An extended wage subsidy will support the hiring of apprentices and trainees

An additional $2.7 billion over four years from 2020-21 is committed to expand the Boosting Apprenticeships Commencements wage subsidy. The wage subsidy covers 50% of 12 months' wages for businesses and Group Training Organisations who sign up new apprentices and trainees before 31 March 2022 and will be capped at $7,000 per quarter per apprentice or trainee. The extension of the program represents the Government's commitment to continue building a pipeline of skilled workers for the economy. Overall, the program is expected to support more than 170,000 apprentices and trainees. The Government is also providing 5,000 additional places in pathway programs and in training support services to encourage and support more women commencing in non-traditional trade occupations.

Alongside these investments, the Incentives for Australian Apprenticeships Program has been further delayed by three months, with plans to replace the current Australian Apprenticeships Incentive Program (AAIP) on 1 October 2021. The delay will minimise disruption to employers and Australian apprentices, with its commencement allowing employers easier access and navigation of the program.

A continued investment in reforms to the VET system to improve responsiveness and industry relevance

Under the Stronger Support for Skills Reform package, the Government will provide $285 million over five years for a suite of reforms to develop the vocational education and training (VET) system architecture, and secure foundation skills:

- $149.2 million over four years to establish up to 15 industry owned 'Skills Enterprises' to ensure stronger linkages between training activity and employer skills needs
- $69.1 million over five years to establish the VET National Data Asset, to measure VET outcomes across courses and providers
- $30.9 million over four years to redesign and rebuild the National Training Register to provide greater transparency of training packages, and improved information about work placements and assessment
- $23.6 million over four years to support foundation skills by uncapping the Skills for Education and Employment
- $12.1 million over four years to simplify Australian apprenticeship pathways information, and to develop a single national digital apprenticeship portal.

The investments in foundation skills will increase access to basic language, literacy, numeracy, and digital skills training for job seekers and boost their employment prospects. The increased funding will accelerate the fundamental inclusion of digital skills training in the SEE program, provide additional funding for foundation skills policy development, and leverage the Reading Writing Hotline to ensure the promotion of the Foundation Skills Guarantee for all Australians.

The investments in VET system to strengthen linkages with industry and improve information flows reflect ongoing reform to implement the recommendations of the Joyce Review of the Australian VET system and aim to underpin national reforms to funding arrangements for VET delivery.

Strengthening Australia's digital skills

COVID has forced businesses and working Australians to adapt and strengthen their digital skills. The Government's $1.2 billion digital strategy includes $100 million to support digital skills training for Australians. This includes:

- $43.8 million over three years for the expansion of the *Cyber Security Skills Partnership Innovation Fund*- recognising growing demand for cyber security professionals
- $10.7 million to trial up to four industry-led Digital Skills Cadetship pilots, to develop new pathways to increase the number of Australians with high-level digital skills
- $22.6m to support more than 230 advanced scholarships in the *Next Generation Emerging Technologies Graduate Program*, which will aim to upskill Australians in emerging digital fields, such as artificial intelligence, quantum computing and robotics.

Colette Rogers
Education and Training

Infrastructure

Key announcements

- Driving national productivity a key budget focus
- Budget doubles down on ongoing programs of road & rail upgrades
- $2 billion commitment to intermodal freight terminal in Melbourne to complement inland rail
- Additional $28.6 million committed to the National Freight & Supply Chain Strategy
- $160 million commitment to establish the National Water Grid Connections
- $58.6 million package for east coast gas projects announced to avoid supply shortfalls

New South Wales receives funding for the Great Western Highway upgrade

The non-duplicated section of the Great Western Highway from Katoomba to Lithgow receives $2 billion of funding for the east and west sections, increasing the productivity and safety of this key freight route.

Other projects in New South Wales included in the Budget announcements are:

- $500 million for the Princes Highway Corridor - Jervis Bay Road to Sussex Inlet Road – Stage 1
- $240 million for the Mount Ousley Interchange
- $229.4 million for the M12 Motorway
- $87.5 million for M5 Motorway – Moorebank Avenue - Hume Highway intersection upgrade
- $66 million investment in the widening of the Newcastle Airport runaway to accommodate longer range services
- $52.8 million for Manns Road – Intersection upgrades at Narara Creek Road and Stockyard Place
- $48 million for Pacific Highway – Harrington Road intersection upgrade at Coopernook.

Road and rail upgrades to further ease congestion in Queensland

The Budget funds the Inland Freight route (Mungindi to Charters Towers) upgrade at $400 million to increase productivity across the state and also commits $400 million in additional funding to the Bruce Highway.

Other projects in Queensland included in the Budget announcements are:

- $240 million for the Cairns Western Arterial Road duplication
- $178.1 million for the preconstruction of the Gold Coast Rail Line capacity improvement (Kuraby to Beenleigh)
- $160 million for the Mooloolah River interchange upgrade (Packages 1 and 2)
- An additional $126.6 million for Gold Coast Light Rail – Stage 3 to provide 8 new stations and an upgraded interchange at Burleigh Heads
- $35.3 million for the Maryborough-Hervey Bay Road and Pialba-Burrum Heads Road intersection upgrade
- $10 million for the Caboolture – Bribie Island Road (Hickey Road-King John Creek) upgrade.

Funding for roads and an intermodal terminal in Melbourne to drive productivity gains

The Melbourne intermodal terminal, connecting the 1700km inland rail route to Brisbane, receives a $2 billion Federal Government commitment.

Other projects in Victoria included in the Budget announcements are:

- An additional $380 million for the Pakenham Roads upgrade
- An additional $250 million for the Monash Roads upgrade
- $92.8 million to fund commuter car park upgrades
- An additional $20 million for the Green Triangle and $15 million for the Melbourne to Mildura Roads of Strategic Importance
- An additional $56.8 million for the Hall Road upgrade
- An additional $30.4 million for the Western Port Highway upgrade
- $17.5 million for the Dairy Supply Chain Road upgrades
- $10 million for the Mallacoota-Genoa Road upgrade.

METRONET in Western Australia receives further Federal funding commitments

The METRONET program of upgrades to the Perth rail network receives funding of $347.5 million, including investments in digital technology as part of a wider Intelligent Transport Systems program.

Other projects in Western Australia included in the Budget announcements are:

- $200 million for the Great Eastern Highway upgrades – Coates Gully, Walgoolan to Southern Cross and Ghooli to Benari
- $160 million for the WA Agricultural Supply Chain Improvements – Package 1
- $112.5 million for the Reid Highway – Altone Road and Daviot Road-Drumpellier Drive – Grade-separated intersections
- $85 million for the Perth Airport Precinct – Northern Access
- $64 million for the Toodyay Road upgrade – Dryandra to Toodyay
- $55 million for the Mandurah Estuary Bridge Duplication
- $31.5 million towards the METRONET High Capacity Signalling project.

Further commitments to South Australia’s North-South Corridor

The 78km North South Corridor in South Australia, a key freight and commuter route, receives $2.6 billion for the Darlington to Anzac Highway section.

Other projects in South Australia included in the Budget announcements are:

- $161.6 million for the Truro Bypass
- $148 million for the Augusta Highway Duplication Stage 2
- An additional $64 million for sealing the Strzelecki Track
- An additional $60 million for the Gawler Rail line electrification

- $48 million for the Heysen Tunnel refit and upgrade – Stage 2
- An additional $27.6 million for the overpass at Port Wakefield and Township duplication
- $32 million for the Kangaroo Island Road Safety and Bushfire Resilience Package
- $22.5 million for the Marion Road and Sir Donald Bradman Drive Intersection upgrade.

ACT roads receive funding to improve road safety and reduce congestion

Key projects funded include $132.5 million for Canberra Light Rail Stage 2A and $26.5 million to duplicate the remaining sections of William Hovell Drive, an additional $5 million for Gundaroo Drive Duplication and $2.5 million for upgrades to Beltana Road in Pialligo.

The Budget supports the safety and efficiency of Tasmania's roads

Further road improvements for the safe and efficient movement of freight receive funding as well as an upgrade to the Burnie Shiploader.

Projects in Tasmania included in the Budget announcements are:

- $113.4 million for Midland Highway upgrades – Campbell Town North (Campbell Town to Epping Forest, Oatlands (Jericho to South of York Plains), Ross (Mona Vale Road to Campbell Town))
- $80 million for the Tasmanian Roads Package – Bass Highway Safety and Freight Efficiency upgrades package
- $48 million for the Algona Road Grade Separated interchange and duplication of the Kingston bypass
- $44 million for the Rokeby Road – South Arm Road upgrades
- An additional $24 million for the Port of Burnie Shiploader upgrade
- $13.2 million for the Huon Link Road.

The NT receives funding for highway upgrade

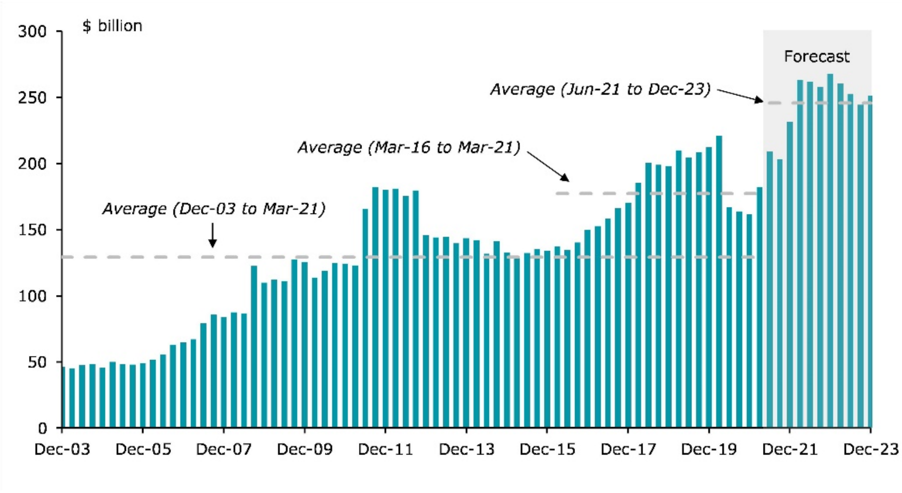
The Federal budget provides $150 million for Northern Territory National Network Highway upgrades (Phase 2) and $173.6 million for the Northern Territory Gas Industry roads upgrades.

Infrastructure continues to be a key component of driving economic stimulus in Australia

The Federal Budget 2021-22 recognises the important role that infrastructure plays in improving the productive capacity of the nation and the creation of a vibrant, prosperous future. Infrastructure ensures that goods move more easily, labour is more productive and energy is cheaper and more reliable. This is incredibly important to ensure the country recovers as quickly as possible from the impacts of COVID-19 (noting that the country is still recovering from bushfires and floods).

This Budget makes additional commitments (to those illustrated in the chart below) to the ongoing productive capacity of the nation, energy security, the reduction in congestion and an increase in safety for the movement of people and goods across Australia.

Chart: Value of Infrastructure Projects under construction



Source: Deloitte Access Economics Investment Monitor March 2021

The Federal Budget 2021-22 also recognises that infrastructure provides a significant unemployment buffer in the short term, through direct employment and increased demand for services associated with infrastructure development, and those wages support other jobs in our communities.

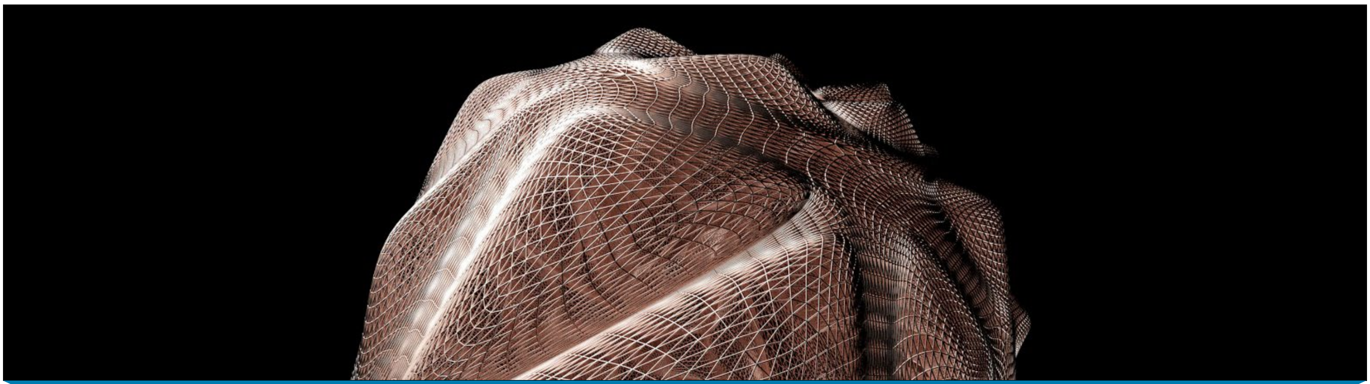
We believe there is still work to do in focussing on our critical infrastructure and systems by raising the productivity, security and resilience of our assets, through more extensive due diligence, risk mitigation and integrated governance. We must develop our approaches to asset management and operations to have quality systems in place to operate a rapidly growing portfolio of complex assets, harnessing digital technologies across the asset lifecycle to manage and leverage the data rich environments associated with infrastructure assets, and our learnings from delivery of previous projects.

The Deloitte infrastructure team sees the big picture – and starts with the end in mind, from returns for shareholders to the communities we live in. We have the right ideas, the right technology and the right expertise – across the infrastructure lifecycle.

Whether its revitalising existing assets, rebuilding old into new or reimagining a new Australia; we'll help you transform projects from today's plans to tomorrow's solutions. It starts now.

Luke Houghton
Global Lead Partner – Infrastructure and Capital Projects

Paul Mountney
National Lead Partner – Infrastructure and Capital Projects



Gender lens

Key announcements

- The Women's Budget Statement returns, targeting women's safety, health and wellbeing and economic security with $3.4 billion in spending

- Intended "to *cut the cost of living* and *help boost workforce participation*", a $1.7 billion investment in child care sees the subsidy rate increase for families with more than one child in care
- The reforms are expected to support around 40,000 caregivers to work an extra day per week – the majority of which are women

- The Government will provide an 18% guarantee on the purchase price of homes for 10,000 single parents over 2021-22 to 2024-25, allowing them to purchase a home with a 2% deposit

- Removing the $450 a month threshold to pay compulsory super is expected to increase the retirement incomes of thousands of part-time workers. Women account for 68% of Australia's part-time workers. This superannuation change will therefore be of particular benefit to female part-time workers

- The Government will spend an additional $351.6 million on women's health over 2021-22 to 2024-25, including in relation to cervical and breast cancer, maternal, sexual and reproductive health, and eating disorders

- $1.1 billion in new funding goes to improving women's safety both at home and in the workplace, including more than $940 million to domestic and family violence support and prevention

- $95.9 in funding is going towards supporting women's careers at all stages, from education and training to returning to the workforce after a career break.

Supporting women's economic security

More women who work part-time will be eligible for superannuation contributions

One of the changes to superannuation included in the 2021-22 Budget is the removal of the $450 per month earnings threshold required for compulsory superannuation contributions to be paid (see the Superannuation chapter for more detail).

Currently, workers earning less than $450 per month (some part-time workers) are not entitled to receive compulsory superannuation payments from their employer. This threshold will be removed, increasing the retirement incomes of thousands of part-time workers.

Women account for 68% of Australia's part-time workers. This superannuation change will therefore be of particular benefit to female part-time workers. Currently, women in Australia retire with $45,000 or 31% less in superannuation retirement savings than men. The removal of the minimum earnings threshold on compulsory superannuation contributions may help narrow this gap.

Financial security and home ownership

The Government will provide an 18% guarantee on the purchase price of homes for 10,000 single parents with dependent children over the four years of 2021-22 to 2024-25, allowing them to purchase a home with a 2% deposit. With the average house price across Australia currently being about $624,000, instead of paying an average 20% deposit of $124,800, single parents could instead pay a 2% deposit of $12,480.

About 125,000 single parents with dependent children are expected to be eligible for this scheme, with the majority (105,000 or 84%) being single working mothers. About 31% of single parent households are currently homeowners (including those with a mortgage). This is almost half the 60% rate at which Australian households on average are homeowners.

This scheme is targeted at helping single parents, particularly single working mothers (being the majority of single parents) to enter or re-enter the housing market. The scheme is not limited to first-home buyers and will therefore allow single parents who are re-entering the housing market after a divorce or family breakdown to also benefit.

The Government will also spend $10.7 million over two years to streamline court process and assist with mediation to distribute property of less than $500,000 between parties following a relationship breakdown.

Encouraging workforce participation for those caring for young children

The Government will invest an additional $1.7 billion in child care over three years, on top of the funding already budgeted (currently $10.3 billion per year). This will be aimed at making child care more affordable by increasing subsidies for families with two or more children under the age of five. Further details on this policy change is provided in the Education chapter of this report.

These changes deliberately target low- and middle-income earners, with around half the families set to benefit having a household income less than $130,000. The reforms are expected to support around 40,000 individuals to work an extra day per week, the majority of which are expected to be women.

Australian women are far more likely than men to be the primary caregiver. In 2018-19, more than 93% of primary parental leave was taken by women. The latest data from Australia's Household, Income and Labour Dynamics Survey revealed that for every hour a man spends on unpaid care and housework in Australia, women do 1.6 hours on average.

By improving access to affordable and subsidised childcare, it helps to reduce the disincentives for caregivers to return to work, thereby supporting women's participation in the workforce.

Investing in jobs, upskilling and reskilling for women

Supporting women's careers at all stages

The 2021-22 Budget is investing in women's careers from education and training to returning to the workforce after a career break. Key spending measures include:

- $42.4 million over seven years to support more than 230 women to pursue Higher Level STEM Qualifications
- $38.3 million to expand the Women's Leadership and Development Program to fund innovative projects that assist women into leadership roles
- $12.2 million over two years to enable a fourth grants round of the National Careers Institute Partnership Grants Program to support projects that facilitate more career opportunities and supported career pathways for women
- $2.6 million over three years to expand the Career Revive Program to reach 60 additional businesses to better attract and retain women with a particular focus on those who are seeking to return to work after a career break.

Upskilling and reskilling in female-dominated industries

The Federal Budget 2021-22 has invested in upskilling and reskilling in traditionally female-dominated industries including aged care. Women comprise 83% of all residential care workers and 66% of all aged care residents. Key measures include:

- Additional $500 million to expand expand the JobTrainer Fund to support 10,000 digital skills training places and 33,800 places for existing and new aged care workers to upskill
- Additional $2.7 billion over four years to extend the Boosting Apprenticeship Commencement wage subsidy, which will include 5,000 additional gateway services for women and in-training support services for women commencing in a non-traditional trade occupation
- $63.5 million over four years from the Indigenous Advancement Strategy to support Additional Places in girls' academies as part of the National Agreement on Closing the Gap.

More than a billion goes to improving women's safety both at home and in the workplace

This Budget provides $1.1 billion in new funding for women's safety measures, focusing on Domestic and Family Violence and workplace safety.

Addressing domestic and family violence from prevention to response

The Federal Budget 2021-22 includes several spending announcements that range from preventing violence, delivering frontline and response services, providing support for women leaving a violent relationship, expanding responses through the justice system and improving data collection and monitoring. Key highlights:

- $416.2 million over four years through a range of court and legal system measures to support women and families experiencing family and domestic violence
- Almost $300 million to bolster frontline family, domestic and sexual violence services, including the Safe Places program to increase access to emergency accommodation for women and children experiencing family and domestic violence
- $164.8 million over three years will be provided in financial assistance and support to women affected by family and domestic violence
- A range of programs to support diverse communities experiencing domestic and family violence including:
  - $57.6 million provided to work with Aboriginal and Torres Strait Islander communities to break the cycle of violence through culturally safe, community-driven, evidence-based and trauma informed solutions
  - $31.6 million to be provided over five years for a new dedicated Aboriginal and Torres Strait Islander Personal Safety Survey
  - $9.3 million to be provided over three years for the preventing and responding to violence against women and girls with disability
- $9 million over three years for perpetrator-focused services including No To Violence Men's Referral Service, MensLine Australia's Changing for Good program and Coordinated Enforcement and Support to Eliminate (CEASE) trial
- Funding of $3.7 million over four years is also being provided to strengthen disaster relief and recovery responses for women and children experiencing family, domestic and sexual violence, given natural disasters are often linked with increased rates of family, domestic and sexual violence
- $48.9 million is provided to bolster data collection and research as an important foundation for ending violence.

Implementing the Respect@Work recommendations

The Government will spend $20.5 million over four years to implement some of the recommendations from the 2020 Respect@Work: Sexual Harassment National Inquiry Report (Respect@Work). Key parts of this funding include:

- $9.3 million will be spent over four years to support the Respect@Work Council Secretariat, in response to Recommendation 14 of the Respect@Work report. This funding will contribute to the implementation of other key recommendations from the report
- $6.0 million will be provided to strengthen the role that the Workplace Gender Equality Agency (WGEA) will play in preventing workplace sexual harassment, in response to Recommendation 42 of the Respect@Work report
- $5.3 million over three years to build evidence and further develop primary prevention initiatives in response to Recommendations 4, 8, 13 and 54 of the Respect@Work report.

Investing in women's health

The Government will spend an additional $351.6 million on women's health over the four years of 2021-22 to 2024-25. The major spending measures under this package include:

- Improvements to breast and cervical cancer prevention and treatment including $100.4 million for improvements to cervical and breast cancer screening programs, $6.6 million for Breast Cancer Network, better access to treatment and drugs through the MBS and pharmaceutical benefits scheme (PBS)
- Improved access to maternal, sexual and reproductive health including:
  - $95.9 million for new tests on the MBS for pre-implantation genetic testing (PGT) of embryos
  - $47.4 million to support the mental health and wellbeing of new and expectant parents
  - $22 million to include additional gynaecology items on the MBS such as Assisted Reproductive Technology and long-term reversible contraceptives
  - $21.6 million for women's health initiatives such as the Pelvic Pain Foundation of Australia for the Periods, Pain and Endometriosis Program
  - $19.3 million for the PBS listing of Oripro® (progesterone) to prevent women going into premature labour
  - $13.7 million for the Australian Preterm Birth Prevention Alliance to reduce pre-term birth rates
- $26.9 million to provide support for people with eating disorders and their families (note that women account for almost two thirds of eating disorder diagnoses).

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