

Federal Budget 2020

Budget Summary to Australian Chamber Members

6 October 2020 – (Budget-in-Depth summary to follow later this evening)

Economic & Fiscal Position

- The Budget Papers make it clear that the **estimates are subject to significant uncertainty** due to the magnitude and enduring impact of the COVID-19 shock and the unprecedented size of Government measures designed to cushion the impact of the shock.
- An **underlying cash deficit** of \$213.7 billion is forecast in 2020-21 (11% of GDP) and improve to a deficit of \$66.9 billion in 2023-24, resulting in an accumulated deficit of \$480.5 billion over the forward estimates.
- **Nominal GDP** is forecast to fall by 1.75% cent in 2020-21, increase by 3.25% in 2021-22 and reach 5% in 2023-24.
- **Receipts as a proportion of GDP** are estimated to be 23.8% in 2020-21, fall to 22.5% in 2021-22 and reach 23.9% at the end of the forward estimates.
- **Payments** reach 34.8 % of GDP in 2020-21 before declining to 26.9% in 2023-24.
- **Net debt** is estimated to be 36.1% of GDP (\$703.2 billion) at 30 June 2021 and peak at \$966.2 billion (43.8% of GDP) by 30 June 2024.
- **Wage growth** is estimated at 1.25% in 2020-21, rising slightly to 1.5% in 2021-22 and not reaching 2.25% until 2023-24.
- The **unemployment rate** is forecast to peak at 7.25% in 2020-21 before declining to 6.5% in 2021-22 and then to 5.5% at the end of the forward estimates.
- **Net overseas migration** is assumed to fall from around 154,000 persons in 2019-20 to be around -72,000 persons by the end of 2020-21, before gradually increasing to around 201,000 persons in 2023-24.
- **Population growth** is forecast to decline to its lowest rate in over a century to 0.2% in 2020-21 before a slight rise to 0.4% in 2021-22.
- **Terms of trade** is forecast to fall slightly by 1.5% in 2020-21 before declining sharply by 10.75% in 2021-21, driven largely by a decline in the forecast price of iron ore.

Key Policy Initiatives

Headlines

- Personal income tax relief of \$17.8 billion in, with \$12.4 billion over the next 12 months
 - Stage 2 personal tax cuts brought forward to 2020-21.
 - A one-off additional low to middle income tax offset in 2020-21.
- Business Investment

- temporary full-expensing – will support \$200 billion worth of investment
- Temporary loss carry-back – allowing companies with a loss of up to \$5 billion to offset losses against previous profits on which tax has been paid.
- JobHire Credit – supporting 450,000 positions for young people at a cost of \$4 billion.
- JobTrainer Skills package to further support and encourage apprentices and trainees with \$1.2 billion Apprenticeships Wage Subsidy.

Business and Industry

- Housing
 - Extending the First Home Loan Deposit Scheme to enable an additional 10,000 first home buyers to purchase a new home.
- Infrastructure
 - Additional \$14 billion in new and accelerated infrastructure project over the next 4 years.
 - Fast-tracking \$3 billion in shovel-ready projects, in addition to the \$2 billion already announced (May 2020).
- Modern Manufacturing Strategy.
 - \$1.3 billion Modern Manufacturing Initiative with co-investment with business to build scale.
 - An additional \$2 billion for the R&D Tax Incentive.
- Business Investment
 - Modernising tax treaty network to eliminate double-taxing.
 - Exempting FBT on the provision of re-training for employees redeployed in a different role.
- Improving the ease of doing business
 - Insolvency reforms to reduce the complexity, time and costs, of the restructuring process.
 - Changes to responsible lending obligations.
- Digital
 - \$4.5 billion to connect broadband from the node to the house for 1 million homes and \$29 million to accelerate the roll-out of 5G.
 - Digital Identity arrangements.
 - \$24.7 million to help small business operators use technology – 10,000 places for Australian Small business Advisory Service.
- Superannuation – A package of reforms to ensure members’ money is maximised.
- Research sector - \$1 billion in new research funding for universities.
- Low emissions technologies
 - \$1.6 billion provided to ARENA to implement the Low Emissions Technology Statement.
- Gas fired recovery
 - \$52.9 million to support the gas fired recovery through the development of strategic gas reserve plans to help the manufacturing sector and ensure affordable and reliable gas.
- Building regional resilience
 - \$550 million to help regional industries recover from COVID.
 - \$200 million in Building Better Regions fund.
 - \$2 billion National Water Infrastructure Development Fund.
 - \$5 billion future Drought Fund.

- Cyber Security
 - An addition \$201.5 million to deliver the Cyber-Security Strategy, taking the fund to \$1.7 billion.
 - A further \$128.1 million to counter cyber crime and \$37.7 million in growing cyber security skills.
- Recycling
 - \$249.6 million over 4 years to modernise recycling infrastructure, reduce waste and recycle more in Australia.
 - \$190 million for new Recycling Modernisation fund to drive \$600 million in new infrastructure.
 - \$35 million to implement the National Waste Policy Action Plan.

Employment and Skills

- JobTrainer Skills package to further support and encourage apprentices and trainees
 - \$49.5 million to fund an additional 14,485 places at Skills for Education and employment program.
 - \$251.8 million over 2 years to support delivery of 50,000 higher education short courses.
 - \$298.5 million over 4 years to provide an addition 12,000 undergraduate Commonwealth supported places at universities.
 - \$295.5 million to deliver new Digital Employment Service Platform to assist jobseekers into employment.
 - \$183.1 to provide individualised support for jobseekers.
 - \$21.9 million for the youth-focused Transition to Work program.
 - \$62.8 million in new Local Jobs Program.

Workplace Relations

- \$35.3 million over two years to meet an increase in payments under the Fair Entitlements Guarantee Act 2012 to employees who do not receive unpaid wages, leave, notice or redundancy pay due to the liquidation or bankruptcy of their employer.
- \$46.3 million over three years (from 2019-20) to the Fair Work Ombudsman to enhance its advice and education services for businesses and employees on compliance with workplace laws
- \$5.1m for the Fair Work Commission to meet additional demand arising from COVID-19.
- \$2.1m over 3 years for a new Council to assist in combatting sexual harassment at work.

Trade & International

- Facilitating agricultural exports - \$328 billion to turbocharge agricultural exports
- \$32.5 billion to cut regulatory burden on seafood, meat, live animal and plant exports.
- \$28.6 million Simplified Trade System – a trade single window

Tourism

- \$250 million regional tourism recovery package including \$51 million over two years to regions that are highly reliant on international travel.