

## Statement 1: Budget Overview

The 2020-21 Budget is an economic recovery plan that will create jobs, rebuild our economy and secure Australia's future.

COVID-19 has resulted in the most severe global economic crisis since the Great Depression.

In the space of just one month, more than one million Australians lost their jobs or saw their working hours reduced to zero.

Australia's economy contracted by 7.0 per cent in the June quarter. By comparison, there were falls of 12.2 per cent in New Zealand, 11.5 per cent in Canada, 13.8 per cent in France, and 19.8 per cent in the United Kingdom.

While the outbreak in Victoria set back Australia's recovery, further easing of containment measures, improving business and consumer confidence, and Government support are expected to see real GDP grow by 4¼ per cent in calendar year 2021. There remains substantial uncertainty around the global and domestic outlook.

The Government has responded to the health and economic crisis from a position of strength having returned the budget to balance for the first time in 11 years in 2018-19. The initial response to the COVID-19 pandemic provided an unprecedented \$299 billion in overall support to keep businesses in business and Australians in jobs.

The fiscal position, with increased payments and decreased revenues as a result of COVID-19, has deteriorated significantly.

The underlying cash balance in 2020-21 is expected to be a deficit of \$213.7 billion, equivalent to 11.0 per cent of GDP. The budget position is expected to improve across the forward estimates to a deficit of \$66.9 billion in 2023-24 and to further improve over the medium term to a deficit of \$49.5 billion, equivalent to 1.6 per cent of GDP in 2030-31.

Gross debt is expected to increase over the forward estimates before stabilising at around 55 per cent of GDP in the medium term. Net debt is expected to peak at 43.8 per cent of GDP in the forward estimates and then fall to 39.6 per cent by the end of the medium term.

The Budget is implementing the Government's COVID-19 Economic Recovery Plan by supporting Australians with additional COVID-19 response measures and driving job creation through the JobMaker Plan.

The Government is providing \$25 billion in further temporary and targeted support under the COVID-19 Response Package and \$74 billion under the JobMaker Plan. This brings the Government's overall response and recovery support to \$507 billion since the onset of the pandemic, over half of which is direct economic support.

Key measures in the COVID-19 Response Package include:

- \$15.6 billion in additional spending on the JobKeeper Payment in light of the additional restrictions in place for Victoria and announced changes to eligibility
- \$2.6 billion for two additional Economic Support Payments of \$250 to pensioners and other eligible recipients
- \$1.7 billion to secure access to over 84.8 million doses of potential vaccine candidates developed by the University of Oxford and the University of Queensland.

The Government's five-year JobMaker Plan focuses on driving sustainable, private sector-led growth and job creation. Measures in this year's Budget as part of the JobMaker Plan support aggregate demand, help businesses to create jobs and are focused on returning Australians to work. Major initiatives include:

- more than \$50 billion in tax relief to households and businesses over the forward estimates to create jobs
- increasing the Government's infrastructure investment pipeline by \$10 billion to \$110 billion over ten years
- \$4 billion for a JobMaker Hiring Credit to give businesses incentives to take on additional employees that are aged 16 to 35 years old
- \$1.2 billion to support 100,000 new apprentices and trainees with a 50 per cent wage subsidy
- \$240.4 million through the Women's Economic Security Statement.

The Government is also continuing to guarantee the essential services on which Australians rely through the Budget. Key measures include:

- \$1.6 billion for 23,000 additional home care packages
- \$798.8 million for the National Disability Insurance Agency and NDIS Quality and Safeguards Commission
- over \$550 million for a package supporting regional Australia.

Since the onset of the COVID-19 pandemic, the Government's economic support is expected to result in economic activity being 4½ per cent higher by 2021-22 and the peak of the unemployment rate being lower by around 5 percentage points than what otherwise would have occurred. Without the Government's economic support, the unemployment rate would have risen, and remained, above 12 per cent throughout 2020-21 and 2021-22.

The 2020-21 Budget reflects the Government's commitment to ensuring Australia emerges from the COVID-19 pandemic in a strong position.

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# Statement 1: Budget Overview

## Introduction

The 2020-21 Budget is an economic recovery plan that will create jobs, rebuild our economy and secure Australia's future.

COVID-19 has resulted in the most severe global economic crisis since the Great Depression. The Government has acted from a position of economic and fiscal strength, providing unprecedented levels of support to keep Australians in work and businesses in business.

The 2020-21 Budget provides additional support in response to the health and economic effects of the COVID-19 pandemic. The Budget also implements the next phase of Australia's COVID-19 Economic Recovery Plan to create jobs, drive sustainable, private sector-led growth while continuing to deliver the essential services on which Australians rely. The Government is committed to ensuring Australia emerges from the pandemic with a stronger, more resilient, and more competitive job-making and income-generating economy.

The global COVID-19 pandemic and associated containment measures are having profound impacts on the Australian economy. Real GDP contracted by 7.0 per cent in the June quarter 2020, and around 10 per cent of the labour force lost their jobs or were stood down on zero hours during the peak of the restrictions in April.

Real GDP is expected to fall by 3¾ per cent in calendar year 2020. While the outbreak and re-introduced restrictions in Victoria set back Australia's recovery, further easing of containment measures, improving business and consumer confidence and Government support are expected to see real GDP grow by 4¼ per cent in calendar year 2021. However, there remains substantial uncertainty around the global and domestic outlook, including around the spread of the virus, future outbreaks, as well as timing and efficacy of vaccines and other medical treatments.

At the 2019-20 Mid-Year Economic and Fiscal Outlook (MYEFO), the budget had returned to balance for the first time in 11 years and strengthening fiscal outcomes were anticipated over the forward estimates and medium term.

With the onset of the COVID-19 pandemic, the Government provided targeted and temporary support to replace lost incomes, maintain employee attachment to employers and the labour force, and support confidence, including through the JobKeeper Payment, Boosting Cash Flow for Employers, \$750 cash payments to those on certain income support, and the Coronavirus Supplement. The Government has also allowed the automatic stabilisers, including lower tax receipts and higher unemployment benefit payments, to provide vital support to the economy.

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As a result, the fiscal position has deteriorated, with substantial deficits and elevated debt levels expected over the forward estimates and into the medium term.

The underlying cash balance is now expected to be a deficit of \$213.7 billion in 2020-21. The budget position is expected to improve over the forward estimates to an expected deficit of \$66.9 billion in 2023-24.

In this Budget, the Government delivers substantial further support to secure a strong economic recovery and create jobs. The five-year JobMaker Plan will support private sector-led growth now and over the medium term, underpin stronger public finances over time, ensure taxes remain low as a share of the economy and strengthen Australia's capacity to respond to future shocks.

The Budget also includes further health measures in response to the COVID-19 crisis, including investments in potential COVID-19 vaccines, and provision of substantial new funding for COVID-19-related health, aged care, and mental health support, and continues to build on the Government's substantial ongoing commitment to guaranteeing the delivery of essential services.

The Government has revised its fiscal strategy to reflect the changed economic circumstances stemming from the COVID-19 recession and the need for additional support for the economy over the period ahead. The revised Economic and Fiscal Strategy supports the Government's objective of achieving a strong economy through sustainable private sector-led growth and job creation, underpinned by a strong government balance sheet. The first phase of the revised strategy is focused on supporting jobs, boosting business and consumer confidence and supporting growth throughout the economy. Once the unemployment rate is comfortably below 6 per cent, the focus will shift to strengthening our fiscal position by stabilising and then reducing debt over time as a proportion of GDP through ongoing fiscal discipline and reforms that boost economic growth.

**Table 1: Budget aggregates**

	Actual	Estimates				Total(a)
	2019-20	2020-21	2021-22	2022-23	2023-24	
<b>Underlying cash balance (\$b)(b)</b>	<b>-85.3</b>	<b>-213.7</b>	<b>-112.0</b>	<b>-87.9</b>	<b>-66.9</b>	<b>-480.5</b>
Per cent of GDP	-4.3	-11.0	-5.6	-4.2	-3.0	
<b>Net operating balance (\$b)</b>	<b>-92.3</b>	<b>-197.9</b>	<b>-103.4</b>	<b>-83.5</b>	<b>-58.5</b>	<b>-443.3</b>
Per cent of GDP	-4.7	-10.2	-5.1	-4.0	-2.7	

(a) Total is equal to the sum of amounts from 2020-21 to 2023-24.

(b) Excludes net Future Fund earnings before 2020-21.

## **Economic Outlook**

The COVID-19 pandemic represents the greatest economic challenge since the Great Depression. Outbreaks are continuing to occur across most countries, even in those countries that were relatively successful in containing the virus in the first half of 2020. The spread of the virus and the restrictions implemented to contain it led to historic falls in economic activity and employment globally over the first half of 2020.

Australia's economic and health outcomes compare favourably with those of most other countries. Australia experienced a smaller fall in GDP than every major advanced economy over the first half of 2020. Nevertheless, the Australian economy is currently in recession as a result of the COVID-19 pandemic, its first in almost 30 years. Travel restrictions and other containment measures affected the ability of consumers and businesses to undertake their usual activities, and led to the largest fall in GDP on record in the June quarter 2020. At the peak of the restrictions, 10 per cent of the labour force lost their job or were stood down on zero hours.

The staged easing of containment measures has resulted in a noticeable pick-up in activity in most states and territories. However, the outbreak of the virus in Victoria has set back the recovery in that state. Looking forward, Australia's recovery is expected to be driven by a further easing of containment measures, along with improving business and consumer confidence. Activity will also be significantly supported by the Government's economic support, including new initiatives announced in the 2020-21 Budget that support spending and investment. In calendar year 2020, real GDP is expected to fall by 3¾ per cent, before growing by 4¼ per cent in calendar year 2021.

In line with the recovery in activity, labour market conditions have also improved, including through a marked reduction in the number of people working zero hours for economic reasons. The unemployment rate is forecast to reach 8 per cent in the December quarter 2020, reflecting headwinds from ongoing international and domestic border closures, the continuation of social restrictions in Victoria, ongoing restructuring amongst businesses and the impact of increased participation, before falling to 6½ per cent by the June quarter 2022 as economic activity recovers.

The Government's economic support since the onset of the COVID-19 pandemic, totalling \$257 billion, is unprecedented and will continue to support households and businesses through the recovery. By increasing incomes and confidence, and supporting households and businesses to get back on their feet, the package of measures is expected to result in economic activity being 4½ per cent higher by 2021-22 and the peak of the unemployment rate being lower by around 5 percentage points than what otherwise would have occurred. Without the Government's economic support, the unemployment rate would have risen, and remained, above 12 per cent throughout 2020-21 and 2021-22.

Nominal GDP is forecast to fall by 1¾ per cent in 2020-21 and grow by 3¾ per cent in 2021-22. The increase in nominal GDP growth in 2021-22 is not expected to be as strong as the recovery in real GDP growth in that year. This reflects a fall in the terms of trade

as iron ore prices are assumed to decline to US\$55 per tonne FOB by the end of the June quarter 2021. In addition, wage and price growth is expected to be subdued across the forecast period, reflecting spare capacity in the labour market.

There remains substantial uncertainty around the global and domestic outlook, as well as the extent of any longer-lasting economic effects from the pandemic. This stems largely from uncertainty around the spread of the virus and the success of health interventions, as well as uncertainty around the timing and efficacy of vaccines and other medical treatments. Uncertainty and the re-introduction of containment measures could substantially reduce activity.

**Table 2: Major economic parameters<sup>(a)</sup>**

	Outcome	Forecasts			
	2019-20	2020-21	2021-22	2022-23	2023-24
Real GDP	-0.2	-1 1/2	4 3/4	2 3/4	3
Employment	-4.3	2 3/4	1 3/4	1	1 3/4
Unemployment rate	7.0	7 1/4	6 1/2	6	5 1/2
Consumer price index	-0.3	1 3/4	1 1/2	1 3/4	2
Wage price index	1.8	1 1/4	1 1/2	2	2 1/4
Nominal GDP	1.7	-1 3/4	3 1/4	4 1/2	5

(a) Real GDP and nominal GDP are percentage change on preceding year. The consumer price index, employment, and the wage price index are through the year growth to the June quarter. The unemployment rate is the rate for the June quarter.

Source: ABS Australian National Accounts: National Income, Expenditure and Product; Labour Force, Australia; Wage Price Index, Australia; Consumer Price Index, Australia; and Treasury.

## Fiscal Strategy and Outlook

The Government is focused on cushioning the Australian economy from the impacts of the COVID-19 pandemic. In this Budget, the Government is committing \$98 billion in new response and recovery measures. This brings the Government's overall support in response to the COVID-19 pandemic to \$507 billion, including balance sheet measures. The 2020-21 Budget lays the foundation for a strong economic recovery.

Australia entered the COVID-19 recession from a position of fiscal strength, which has allowed the Government to provide unprecedented levels of support. The underlying cash balance is now expected to be a deficit of \$213.7 billion (11.0 per cent of GDP) in 2020-21, improving over the forward estimates to an expected deficit of \$66.9 billion (3.0 per cent of GDP) in 2023-24.

Taxation receipts are expected to be \$55.2 billion lower in 2020-21 than estimated at the 2019-20 MYEFO, and \$283.5 billion lower over the four years to 2023-24.

Reflecting the unprecedented levels of fiscal support, compared with the 2019-20 MYEFO, total nominal payments are expected to increase by \$166.9 billion in 2020-21 and by \$237.0 billion over the forward estimates. Due to the temporary and targeted nature of COVID-19 response measures the payments-to-GDP ratio is



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expected to initially increase to 34.8 per cent in 2020-21, before decreasing to 26.9 per cent by 2023-24 as the economy grows more strongly.

Gross debt is expected to be 44.8 per cent of GDP at 30 June 2021, increasing to 51.6 per cent of GDP at 30 June 2024. Gross debt is expected to stabilise at around 55 per cent of GDP in the medium term. Net debt is expected to be 36.1 per cent of GDP at 30 June 2021 and peak at 43.8 per cent of GDP at 30 June 2024. Net debt is then projected to fall over the medium term to 39.6 per cent of GDP at 30 June 2031.

The Government's response to the COVID-19 pandemic has been temporary, targeted and proportionate to the shock, and has used existing delivery mechanisms where possible. The Government will continue to maintain budget and fiscal flexibility to respond to the evolving impacts of the COVID-19 pandemic.

The Government has revised its Economic and Fiscal Strategy to reflect the changed circumstances and the need for additional fiscal support for the economy over the period ahead. The revised strategy aims to drive sustainable, private sector-led growth and job creation.

The strategy will operate in two phases, to provide flexibility in response to changing economic conditions. The COVID-19 Economic Recovery Plan forms the first phase of the strategy, and seeks to promote employment, growth and business and consumer confidence. It will remain in place until the unemployment rate is comfortably below 6 per cent. The second phase of the strategy will be governed by the Government's medium-term fiscal objectives. Future adjustments in the fiscal stance will focus, in the first instance, on ensuring the economic recovery is strong, and over the medium term on stabilising and then reducing gross and net debt as a share of GDP.

## **COVID-19 Economic Recovery Plan**

The 2020-21 Budget progresses the Government's plan for Australia's economic recovery.

The COVID-19 Economic Recovery Plan, which is also reflected in the updated Economic and Fiscal Strategy, reflects the Government's objective to return Australians to work and boost prosperity as Australia emerges from the COVID-19 crisis.

The COVID-19 Economic Recovery Plan has two elements:

- The Government's COVID-19 response, which continues to be tailored to each phase of the crisis, with temporary, targeted measures already deployed to support recovery and assist those in need through additional support provided in this Budget.
- The five-year JobMaker Plan, which focuses on driving sustainable, private sector-led growth and job creation, recognising that a stronger economy will strengthen the budget and ensure Australia is well placed to respond to future shocks.

The 2020-21 Budget provides a further \$98 billion in support under the Economic Recovery Plan. This includes \$25 billion in further measures in response to the health and economic effects of the COVID-19 pandemic and \$74 billion under the JobMaker Plan to drive the economic recovery.

The Government is also continuing to guarantee the provision of essential services, which reinforces the Economic and Fiscal Strategy and economic recovery. The 2020-21 Budget includes substantial new funding for health and aged care, and measures to enhance Australia's resilience to natural disasters, as well as funding to continue to keep Australians safe.

### **Supporting Australians through COVID-19**

The 2020-21 Budget includes additional temporary and targeted support in response to the COVID-19 pandemic.

The Government is well positioned to continue to respond to developments in the COVID-19 pandemic. Effectively managing the health response remains the highest priority and will continue to underpin Australia's economic recovery. The Government is being led by health advice to sensibly re-open the economy and get people back into jobs while supporting those still affected by health restrictions and protecting against further spread of the virus.

The Government will ensure Australian families, workers and businesses continue to get the support they need as circumstances change.

## **COVID-19 Health Response**

### **Protecting the health of Australians during the COVID-19 pandemic**

The Government is ensuring Australia's high-quality health system is equipped to respond to COVID-19. This Budget includes measures to provide ongoing access through to March 2021 for essential health services such as telehealth and the home medicines service. This continues key elements of Australia's COVID-19 suppression strategy through funding testing and respiratory clinics and securing access to vaccines and treatments when they are available.

The Government is providing over \$750 million to support the continuation of COVID-19 testing, critical to the suppression strategy, including for essential workers in industries like aged care. The Government is also providing \$170.8 million for the continued operation of up to 150 dedicated respiratory clinics to manage and diagnose COVID-19 cases, ensuring access to safe assessment and testing for all Australians, including regional and remote communities.

The Government is continuing to support our hospitals to respond to COVID-19 by providing \$1.1 billion to states and territories through a funding agreement on COVID-19 Response. This is in addition to the \$3.7 billion already provided under the agreement and includes funding to ensure private hospital capacity is available for the health response.

To ensure ongoing access to essential health services, particularly for vulnerable groups such as the elderly or those with chronic conditions, or for people experiencing lockdowns, the Government is providing \$111.6 million to support the continuation of temporary MBS telehealth services for GP consultations, mental health, allied health and specialist services.

### **Supporting access to COVID-19 vaccines**

The Government's COVID-19 vaccine and treatment strategy supports early access to, and delivery of, safe and effective COVID-19 vaccines and treatments as soon as they become available. The Government will provide \$1.7 billion over two years from 2020-21 to secure access to over 84.8 million doses of potential vaccine candidates developed by the University of Oxford and the University of Queensland. The Government is also investing \$123.2 million to join the international COVAX facility, to provide Australia access to a large portfolio of vaccine candidates around the world.

To ensure Australia is well prepared to deliver a potential vaccine, the Government is providing \$24.7 million to purchase vaccine needles, syringes and sharps disposal containers as well as ensuring the supply and storage logistics within the National Medical Stockpile.

### **Supporting Australians' mental health and wellbeing**

The Government recognises the mental health impact of COVID-19 on individuals and communities and is committed to making ongoing support available. The Government will provide \$100.8 million over two years from 2020-21 to ensure people with a mental health care plan can access up to 10 additional Medicare-subsidised individual psychological therapy sessions, a doubling of current sessions. In response to the second wave in Victoria, the Government has provided a further \$47.3 million to ensure people in Victoria have the mental health support they need. This includes additional funding for digital and telephone counselling, which will provide access to 24/7 services particularly for young people and vulnerable populations. Fifteen dedicated mental health clinics will also be established across Victoria, with 9 clinics in greater Melbourne and 6 in regional Victoria. These clinics will provide immediate coordinated mental health care.

This additional support builds on the Government's increased investment in mental health and suicide prevention, and brings the investment for 2020-21 to \$5.7 billion.

### **Additional funding to support the aged care sector's response to COVID-19**

The Government is continuing to ensure older Australians have access to better quality aged care with record funding of \$23.8 billion in 2020-21. Since the pandemic began, the Government has provided \$1.6 billion to support care recipients, providers and workers to respond to COVID-19 (gross of tax receipts).

Additional funding provided in the Budget includes:

- \$245 million to extend the COVID-19 Supporting Resident Care Supplement to support aged care providers to meet additional costs associated with COVID-19, including infection control training
- \$205.1 million for the Workforce Retention Bonus Payments for aged care workers, in recognition of the challenges they face delivering frontline aged care services (gross of tax receipts); and
- \$103.4 million to extend the Aged Care COVID-19 preparedness measure which supports aged care providers experiencing a COVID-19 outbreak, including funding extra surge staff for emergency deployment.

### **Additional funding to support the disability sector's response to COVID-19**

The Government is protecting people with disability and those who care for them from COVID-19. Additional funding provided in this Budget includes \$7.5 million to provide a Worker Mobility Reduction Payment to support disability residential service providers in Victoria to continue to provide critical services to people with disability. This is in addition to working with the Victorian Government to establish a Victorian Disability Response Centre to support information sharing and coordination to quickly respond to outbreaks.

## **COVID-19 Economic Response**

### **JobKeeper Payment Extension**

The JobKeeper Payment has been instrumental in supporting job retention, maintaining the link between employers and their employees and supporting the cash flow of distressed businesses, as well as providing income support to eligible employees throughout COVID-19. It is covering a large proportion of the economy, currently supporting around 3.5 million individuals in over 900,000 businesses. To date, JobKeeper payments have totalled around \$60 billion in the first 11 JobKeeper Payment fortnights and have supported over 3.8 million individuals in over 1 million businesses and not-for-profits.

The JobKeeper Payment extension announced on 21 July 2020 provides continued support until 28 March 2021, with the Payment targeted to those businesses that continue to be most significantly affected by the economic downturn. The level of the JobKeeper Payment is being tapered to enable businesses to transition towards their longer-term plans and a two-tiered payment is also being introduced to better match the Payment with the incomes of employees.

On 7 August 2020, in light of the restrictions in place for Victoria, the Government announced changes to the JobKeeper Payment and its extension which expanded employee eligibility and eased the eligibility criteria for businesses.

It is estimated that the total cost of the JobKeeper Payment will be \$101.3 billion over 2019-20 and 2020-21. As the JobKeeper Payment is demand-driven, estimates will continue to be updated over the life of the program. In 2019-20, \$20.6 billion in JobKeeper payments were received by businesses and not-for-profits, and around \$40 billion in JobKeeper payments have been made in 2020-21 to date.

### **Supporting pensioners**

The Government will provide \$2.6 billion for two additional Economic Support Payments of \$250 to pensioners and other eligible recipients to assist them through the ongoing financial challenges they are facing as a result of COVID-19. These payments are in addition to the two previous \$750 economic support payments and will benefit around 5.1 million eligible pensioners, veterans, low-income families and eligible concession card holders.

### **Early childhood education and care support**

The Government is providing support for families and child care providers by extending targeted funding for child care services in Victoria following the end of the national Transition Package arrangements on 27 September 2020.

The Government is introducing a Victorian recovery payment equivalent to 25 per cent of pre-COVID revenue through to 31 January 2021. The payment will be conditional on maintaining a fee freeze at pre-COVID-19 levels and child care services maintaining the Employee Guarantee protections for relevant employees.

The recovery payment is expected to support up to 3,127 child care services in Victoria. The Government is also extending the easing of the Activity Test requirements for all Australian families through to 4 April 2021 so that they can continue to access the hours of care they received before the pandemic.

### **JobMaker Plan**

The JobMaker Plan is a key element of the Government's COVID-19 Economic Recovery Plan. Its objective is for Australia to emerge from the pandemic with a more resilient and competitive economy that drives a strong recovery in the labour market. It complements the Government's updated Economic and Fiscal Strategy (see *Budget Statement 3: Fiscal Strategy and Outlook*).

The 2020-21 Budget and JobMaker Plan builds on initiatives included in the July 2020 *Economic and Fiscal Update* (July Update). JobMaker Plan measures in this Budget include:

- supporting aggregate demand by supporting households with personal tax relief worth \$17.8 billion and increasing the Government's infrastructure investment pipeline by \$10 billion to \$110 billion over ten years
- supporting business investment to create jobs, particularly through temporary investment tax incentives worth \$26.7 billion for temporary full expensing and \$4.9 billion for temporary loss carry-back, and by improving the ease of doing business by reducing regulatory burdens
- supporting Australians back into jobs through a \$4 billion JobMaker Hiring Credit to help young people access job opportunities, assisting workers to improve their skills, and helping job seekers reconnect with employment
- providing opportunities for Australian industries, including through a Modern Manufacturing Strategy and by investing in the future of low-emissions technologies and Australia's research sector.

The JobMaker Plan will drive a strong rebound in employment through initiatives that encourage and reward effort and programs that incentivise businesses to create jobs.

### **Supporting aggregate demand to create jobs**

The Government is delivering assistance to Australian households and businesses through the tax system to stimulate the economy and support the creation of jobs. This Budget will reduce the personal income tax burden on individuals and support businesses that invest or suffer temporary tax losses as a result of the economic impacts of COVID-19.

**Bringing forward personal tax relief**

For the third year in a row, the Government will deliver tax cuts to assist hard-working Australians. This will support the economy through the recovery phase by boosting consumption and, to the extent that households save more or pay down debt, improving households' balance sheets and their ability to consume in the future.

The Government will bring forward Stage 2 of the Personal Income Tax Plan from 2022-23 to 2020-21. This stage involves: increasing the low income tax offset (LITO) from \$445 to \$700; increasing the top threshold of the 19 per cent bracket from \$37,000 to \$45,000; and increasing the top threshold of the 32.5 per cent bracket from \$90,000 to \$120,000.

These changes will reduce the amount of tax withheld through pay-as-you-go withholding obligations, which means that the tax relief will flow faster to individuals in their regular pay packets. As individuals retain more of their earnings, the tax cuts will support the economic recovery.

As the Personal Income Tax Plan is already legislated, bringing forward these tax cuts will have no ongoing budget impact outside the forward estimates period.

The Government will also provide additional targeted support to low- and middle-income Australians. In 2020-21, low- and middle-income earners will benefit from bringing forward the tax cuts in Stage 2 of the Personal Income Tax Plan, as well as a one-off additional benefit from the low and middle income tax offset (LMITO). The one-off additional LMITO is worth up to \$1,080 for individuals or \$2,160 for dual income couples. The LMITO was to be removed with the commencement of Stage 2, but the one-off additional benefit in 2020-21 will provide support to households and stimulus to the economy during the recovery.

**Table 3: Individual tax relief from bringing forward Stage 2 of the Personal Income Tax Plan and providing the additional LMITO in 2020-21 compared with 2017-18**

Taxable Income	2017-18		2020-21	
	Tax Liability	Tax Liability	Change in Tax	
(\$)	(\$)	(\$)	(\$)	(%)
<b>40,000</b>	4,947	3,887	-1,060	<b>-21.4</b>
<b>60,000</b>	12,147	9,987	-2,160	<b>-17.8</b>
<b>80,000</b>	19,147	16,987	-2,160	<b>-11.3</b>
<b>100,000</b>	26,632	24,187	-2,445	<b>-9.2</b>
<b>120,000</b>	34,432	31,687	-2,745	<b>-8.0</b>
<b>140,000</b>	42,232	39,667	-2,565	<b>-6.1</b>
<b>160,000</b>	50,032	47,467	-2,565	<b>-5.1</b>
<b>180,000</b>	57,832	55,267	-2,565	<b>-4.4</b>
<b>200,000</b>	67,232	64,667	-2,565	<b>-3.8</b>

Note: The table provides stylised cameos based on the tax payable for an individual, excluding any transfer payments. The tax liability and tax relief are calculated only taking into account the basic tax scales, LITO, LMITO, and the Medicare levy (with 2017-18 Medicare levy single low-income threshold). Actual outcomes for many individuals and households would differ.

The LMITO has already provided a benefit of up to \$1,080 for individuals, or \$2,160 for dual income families, in 2018-19 and 2019-20. The maximum benefit is received by those with taxable income between \$48,000 and \$90,000.

Together, these changes deliver tax relief to low- and middle-income earners for the 2020-21 income year of up to \$2,745 for individuals and up to \$5,490 for dual income families, compared with 2017-18 rates and thresholds.

In total, these tax cuts deliver \$17.8 billion in additional tax relief over the forward estimates, including \$12.5 billion over the next 12 months. An estimated 11.6 million individuals will receive a tax cut in 2020-21 compared with 2017-18 settings. This tax relief will help the economy recover from the impacts of the COVID-19 crisis.

Reducing personal income taxes will increase the disposable income of Australian households, allowing them to spend more, which will support aggregate consumption.

Improved confidence and greater consumption will support businesses, creating opportunities to increase hiring and undertake further investment. This will support jobs and growth, and bolster the recovery from the economic impacts of the COVID-19 crisis.

These tax cuts are estimated to increase GDP by \$3.5 billion in 2020-21 and \$9 billion in 2021-22 while creating an additional 50,000 jobs by the end of 2021-22.



The Government remains committed to a more competitive and efficient tax system. Stage 3 of the Personal Income Tax Plan will deliver structural reform to the personal income tax system from 1 July 2024 as legislated. By abolishing the 37 per cent marginal tax rate and reducing the 32.5 per cent marginal tax rate to 30 per cent, Stage 3 will simplify and flatten the marginal tax rates. In 2024-25, it is projected that around 95 per cent of taxpayers will face a marginal tax rate of no more than 30 per cent.

**Table 4: New personal income tax rates and thresholds**

Rate (%)	2017-18 tax thresholds Income range (\$)	Current tax thresholds From 1 July 2018 Income range (\$)	New tax thresholds From 1 July 2020 Income range (\$)	Rate (%)	New tax thresholds From 1 July 2024 Income range (\$)
<b>Tax free</b>	0 — 18,200	0 — 18,200	<b>0 — 18,200</b>	<b>Tax free</b>	0 — 18,200
<b>19</b>	18,201 — 37,000	18,201 — 37,000	<b>18,201 — 45,000</b>	<b>19</b>	18,201 — 45,000
<b>32.5</b>	37,001 — 87,000	37,001 — 90,000	<b>45,001 — 120,000</b>	<b>30</b>	45,001 — 200,000
<b>37</b>	87,001 — 180,000	90,001 — 180,000	<b>120,001 — 180,000</b>	-	-
<b>45</b>	>180,000	>180,000	<b>&gt;180,000</b>	<b>45</b>	>200,000
<b>LITO</b>	Up to 445	Up to 445	<b>Up to 700</b>	<b>LITO</b>	Up to 700
<b>LMITO</b>	-	Up to 1,080	<b>Up to 1,080*</b>	<b>LMITO</b>	-

\*The LMITO will only be available until the end of the 2020-21 income year.

#### Infrastructure investment supporting jobs and economic recovery

The Government is increasing spending on its record infrastructure pipeline from \$100 billion to \$110 billion over the next 10 years with a COVID-19 infrastructure package that will provide significant near-term investments in major road and rail projects, road safety and community infrastructure. The Government will provide an additional \$10.0 billion in funding towards projects over the next four years bringing total commitments for new and accelerated projects since the onset of the COVID-19 pandemic to \$14.0 billion across the forward estimates.

Projects currently under construction are supporting around 100,000 direct and indirect jobs over their construction periods, with the Government's additional investments since the onset of COVID-19 supporting a further 40,000 direct and indirect jobs. These commitments provide a strong foundation across Australia for the economic recovery from COVID-19.

Over the next two years, the Government will provide significant stimulus through the new \$2 billion Road Safety Program, and an additional \$1 billion of funding for the recently established Local Roads and Community Infrastructure Program taking the size of the program to \$1.5 billion.

These stimulus programs will support over 10,000 direct and indirect jobs across all states and territories with the funding to be made available under a 'use it or lose it' mechanism to incentivise states and territories to prioritise funding which can be delivered in the short term. The Road Safety Program will reallocate funding to those

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states and territories that have fully used their previous allocations while local governments under the Local Roads and Community Infrastructure Program will have until 31 December 2021 to spend their allocation. This will ensure the benefits of the economic stimulus are maximised.

The Government is making additional commitments for new projects in each of the states and territories including:

- \$2.7 billion for New South Wales, including \$603 million for the New England Highway Singleton Bypass and Bolivia Hill Upgrade, and an additional \$491 million for the Coffs Harbour Bypass
- \$1.1 billion for Victoria, including \$528 million for upgrades to the Shepparton and Warrnambool rail lines
- \$1.3 billion for Queensland, including \$750 million for Stage 1 of the Coomera Connector
- \$1.1 billion for Western Australia, including \$227 million for METRONET – High Capacity Signalling and Morley Ellenbrook Line, and \$87.5 million for Reid Highway Interchanges – West Swan Road
- \$625 million for South Australia, including \$200 million for the Hahndorf Township Improvements and Access Upgrade, and \$136 million to progress the Main South Road Duplication Stage 2
- \$360 million for Tasmania, including \$65 million for the Tasman Bridge Upgrade
- \$190 million for the Northern Territory, including \$120 million for the Carpentaria Highway Upgrade, and \$46.6 million for National Network Highway Upgrades
- \$155 million for the Australian Capital Territory, including \$87.5 million for the Molonglo River Bridge.

City Deals with a total Commonwealth contribution of \$7.6 billion are being delivered in Townsville, Launceston, Western Sydney, Darwin, Hobart, Geelong and Adelaide. Building on this success, the Government is committing \$328 million for a Perth City Deal that will support long-term growth by attracting people back into the city creating flow-on benefits for small business, including international students and tourism.

### **Housing**

The Government is building on the success of the First Home Loan Deposit Scheme by extending the Scheme by a further 10,000 places that will allow first home buyers to obtain a loan to build a new dwelling or purchase a newly built dwelling with a deposit of as little as 5 per cent. The Government is enabling the National Housing Finance and Investment Corporation to issue an additional \$1 billion worth of bonds to attract

institutional investment to increase the supply of affordable housing. These reforms complement the Government's announced changes to Australia's lending laws, which will support the flow of credit to housing, reducing the time and cost associated with accessing credit for consumers.

### **Supporting business to create jobs**

The Government is also supporting the economic recovery by helping businesses to invest, grow and create jobs.

#### **Business cash flow support**

In this Budget, the Government will deliver significant cash flow benefits through the tax system to businesses that invest, as well as otherwise profitable businesses that have experienced losses as a result of COVID-19.

##### **Temporary full expensing**

The Government is introducing temporary full expensing of depreciable assets for businesses with turnover below \$5 billion.

There is no limit on the value of assets eligible for full expensing.

Around 3.5 million businesses – over 99 per cent of businesses – employing around 11.5 million workers will be eligible for this measure.

This significantly builds upon the enhanced \$150,000 instant asset write-off and the Backing Business Investment measures introduced on 12 March 2020 as part of the Government's response to COVID-19.

The measure will apply to eligible assets purchased from 7:30pm (AEDT) on 6 October 2020 and first used or installed by 30 June 2022. The cost of improvements to existing eligible depreciable assets made during this period can also be deducted in full.

Full expensing reduces the after-tax cost of new investment and provides a cash-flow benefit for businesses that acquire eligible assets. The time-limited nature of the measure will provide a strong incentive for businesses to bring forward investment projects before it expires. The measure is estimated to apply to around \$200 billion worth of investment. This will help create jobs and increase economic activity as the economy recovers from COVID-19, as well as boost Australia's productive capacity over the longer run, leading to higher wages and living standards for all Australians. Businesses investing in new technology and new ways of operating will also be essential for firms' ability to adapt to the structural changes induced by COVID-19.

##### **Temporary loss carry-back**

To complement the full expensing measure, companies with turnover up to \$5 billion will also be able to temporarily offset tax losses against previous profits and tax paid.

This will help companies that were profitable and tax-paying but now find themselves in a loss position due to the COVID-19 pandemic. By allowing them to access their losses earlier, by way of a cash refund, it will provide a needed cash flow boost to keep their business running, retain their workers and invest with confidence in the future.

Companies with turnover up to \$5 billion can apply tax losses incurred during the 2019-20, 2020-21 and/or 2021-22 income years to offset tax paid in 2018-19 or later income years. The tax refund will be available for eligible businesses when they lodge their 2020-21 and 2021-22 tax returns. This will help increase cash flow for businesses in future years and enable more businesses to take advantage of full expensing while it is available, to encourage more investment and further support Australia's economic recovery.

Combined, the temporary full expensing and temporary loss carry-back measures are estimated to deliver \$31.6 billion in tax relief to businesses over the forward estimates, by bringing forward tax deductions or the utilisation of losses from future years.

Treasury estimates that these measures will boost GDP by around \$2½ billion over 2020-21 and \$10 billion over 2021-22 and create an additional 50,000 jobs by the end of 2021-22.

#### **Research and Development Tax Incentive**

The Government will invest an additional \$2 billion through the Research and Development Tax Incentive to help innovative businesses that invest in research and development.

#### **Improving the ease of doing business**

A dynamic market-driven economy is crucial for the economic recovery and fundamental to the JobMaker Plan. The Government is undertaking a comprehensive deregulation agenda to improve the ease of doing business. This will drive growth and support Australian businesses to create jobs.

##### **Reducing regulatory costs**

The Government is giving businesses greater flexibility in how they comply with regulations and reducing the cost of compliance. The Government will support business dynamism by making permanent changes to allow companies to utilise technology to hold virtual AGMs and execute documents electronically. Virtual AGMs will allow companies to choose the best method of interacting with their shareholders. Allowing electronic execution of documents will drive efficiencies and improve the ease of doing business. Technology neutral regulation will also be the focus of a detailed evaluation of laws regulating corporations, credit, superannuation, insurance, banking, consumer protection and competition. More flexible record keeping requirements for Fringe Benefits Tax will substantially reduce the time employers and employees spend on compliance.

#### Insolvency reforms

The Government will implement insolvency reforms to help small businesses survive the economic impact of the COVID-19 pandemic. By reducing complexity, time and costs, a simplified restructuring process will encourage more Australian small businesses to restructure when in financial distress to improve their chances of survival. Where that is not possible, a simplified liquidation process will ensure greater returns to creditors and employees and allow assets to be quickly reallocated elsewhere in the economy, supporting productivity and growth. These processes will be available to incorporated businesses with liabilities of less than \$1 million. Around 76 per cent of companies entering into external administration in 2018-19 had less than \$1 million in liabilities. Of these, around 98 per cent are estimated to be businesses with fewer than 20 full-time equivalent employees. The reforms also enhance the capacity of the insolvency system to assist small businesses and manage the anticipated increase in the number of insolvencies.

#### Changes to responsible lending obligations

The Government is simplifying Australia's credit framework by removing responsible lending obligations for most credit products. The Government's reforms will make the credit application process easier for consumers and allow eligible borrowers to obtain credit faster, improve competition by making it easier for consumers to switch lenders and enhance access to credit for small business. The new regime will support the more efficient flow of credit in the economy by removing the current prescriptive framework and 'one-size-fits-all' approach to ensure credit assessments are attuned to the needs of borrower and credit products. Banks will continue to be regulated by APRA's prudential lending standards, which are principles-based, and will be replicated for non-bank lenders. The changes will also streamline consumers' engagement with lenders as lenders will be able to rely on the information provided by borrowers, effectively replacing the current practice of 'lender beware' with a 'borrower responsibility' principle. Responsible lending obligations for small amount credit contracts and consumer leases will be retained and laws strengthened to ensure the users of these products, typically more vulnerable consumers, are properly protected.

#### Accelerating digital transformation

The Government is introducing a number of measures to support businesses to survive and grow, and new businesses to emerge as the economy recovers from the effects of COVID-19. This includes the accelerated adoption of digital technologies to increase productivity and jobs growth and bring Australia closer to its goal of being a leading digital economy by 2030.

The Government will further accelerate and expand its plans to bring the benefits of adopting digital technologies to businesses and households.

The NBN Co's additional investment of \$4.5 billion will bring ultra-fast broadband to millions of families and businesses across the economy over the next two years. A further \$29.2 million will support the accelerated rollout of 5G.

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Digital transformation will be enabled through more modern and responsive payments architecture, driven by a strategic review of the payments system.

The Government will accelerate the rollout of the Consumer Data Right in the banking sector and extend it into the energy sector. Support will be given to small business operators to take advantage of digital technologies. We will improve access to digital skills training.

All Commonwealth agencies will be required to have e-Invoicing capability, which will drive adoption amongst their suppliers. The Government will seek to similarly accelerate adoption of e-Invoicing in state and local government agencies and by the private sector.

The Government is investing a further \$419 million to fund the full roll out of the Modernising Business Registers program to significantly streamline interactions with government by allowing businesses to quickly view, update and maintain their business registry data in one location. This will make it easier to start, run and close a business.

The Government will invest \$256 million in the expansion of its Digital Identity system over the next two years. We will boost fintech trade and investment flows through a further investment of \$9.6 million.

**Busting congestion for agricultural exporters**

The Government will invest \$328.4 million over four years to bust congestion in the regulation of farm exports, making it easier for farmers to get their goods to market and helping rural Australia to recover from drought and COVID-19. This will develop an electronic export assurance capability and give farmers and exporters digital access to up-to-date market and export data. The package will deliver up to \$1.2 billion in financial benefits over the decade to 2030. New agile export systems will make Australian firms more competitive in the world's export markets.

**Simplified trade system**

The Government will invest \$28.6 million to support initiatives to modernise Australia's trade system and streamline border services, to reduce administrative complexity and improve the efficiency of international trade.

Simplifying the regulatory foundations of a future single trade window will be an important part of this work. At present, 28 agencies regulate trade at the border, applying more than 120 pieces of Commonwealth regulation. The single window will build on fundamental reform of trade regulations and processes and ultimately harness cost-effective IT systems, to make it easier for businesses to be a part of global supply chains.

This multi-year reform will improve the competitiveness of Australian exporters and lower costs for business and households. This will create jobs in Australia and make Australia a more attractive investment destination.

The funding will also support a pilot program to streamline the delivery of border services between the Australian Border Force and the Department of Agriculture, Water and the Environment, and take steps towards a new model for cargo screening, to improve both speed and security.

### **Supporting Australians back into jobs**

The Government is supporting businesses to hire workers and apprentices, assisting workers to improve their skills, and helping job seekers to reconnect with employment.

#### **JobMaker Hiring Credit**

The JobMaker Hiring Credit will help to accelerate growth in employment by giving businesses incentives to take on additional employees that are aged 16 to 35 years old. Through the JobMaker Hiring Credit, the Government will help young people access job opportunities and rebuild their connection to the labour force as the economy recovers from the COVID-19 pandemic.

The JobMaker Hiring Credit will be available to employers for each new job they create over the 12 months from 7 October 2020 when they hire an eligible employee. Employers will be eligible for additional hires where the new employee is aged 16 to 35 years old and received JobSeeker Payment, Youth Allowance (Other) or Parenting Payment for at least one of the previous three months at the time of hiring. Employers will be eligible to receive the JobMaker Hiring Credit for up to 12 months from the commencement of each eligible employee. Eligible employers will receive \$200 per week if they hire an eligible employee aged 16 to 29, or \$100 per week if they hire an eligible employee aged 30 to 35. This will assist businesses to hire additional employees as they expand their organisation and will support young people to get back into work.

It is expected that around 450,000 positions for young Australians will be supported through the JobMaker Hiring Credit at an estimated cost of \$4 billion from 2020-21 to 2022-23.

#### **Growing Australia's skilled workforce**

The Government is building on its JobTrainer Skills Package with further support to encourage new apprentices and trainees into training, and assist job seekers who lack basic language, literacy and numeracy skills to acquire these foundational skills.

The Government is investing further in Australia's training system and skills pipeline, through the \$1.2 billion Boosting Apprenticeships Wage Subsidy to support 100,000 new apprentices and trainees. The wage subsidy will be paid for all commencements at businesses of any size from 5 October 2020 onwards, and will provide employers with

a 50 per cent subsidy, up to \$7,000 per quarter, of the wages paid for new apprentices and trainees until 30 September 2021. This will ensure that apprenticeships and traineeships remain an important pathway into the workforce, and help meet the skills and employment needs of the economic recovery.

The Government is committing \$49.5 million to fund an additional 14,485 places in the Skills for Education and Employment program to ensure new job seekers who lack basic language, literacy and numeracy skills can access the training and support they need. This training will act as an immediate and accessible pathway for job seekers who need it, and help ensure that all job seekers are able to access the upskilling and reskilling opportunities available under the JobTrainer Fund.

#### **A more responsive higher education sector**

The Government is investing \$251.8 million over two years to support the delivery of 50,000 higher education short courses. Short courses will be provided online in areas such as teaching, health, science, information technology and agriculture and will provide faster training pathways and alternative study options for workers looking to retrain or upskill. Short courses provide additional options for students and the recently unemployed to engage with higher education across a range of fields and will help position Australia to move towards economic recovery by providing students with the skills employers need.

The Budget includes \$298.5 million over four years to provide an additional 12,000 undergraduate Commonwealth Supported Places in 2021 prioritised according to labour market need, skills gaps, industry engagement and expected student demand. The Government's additional investment will support school-leavers and job seekers through the COVID-19 pandemic, and will help accelerate growth, job creation and drive economic recovery, better connecting job seekers to employment and training.

#### **Connecting job seekers to employment and training**

The Government is implementing a range of measures to help connect job seekers to employment and training opportunities. As part of the transition to the New Employment Service Model, the Government is investing more to scale up employment services so that job seekers can fill the current and emerging vacancies. The Government is investing \$295.9 million to deliver a new Digital Employment Services platform that will assist job seekers in managing their own way into employment and training. The Government is also investing \$183.1 million to provide responsive and individualised support to online job seekers, including through a Digital Services Contact Centre. Further, the Government will provide \$21.9 million to leverage the youth-focused Transition to Work (TtW) program to assist young people to support their transition to and retention in employment.

The Government is investing \$62.8 million to establish a new Local Jobs Program to connect job seekers to local employment opportunities. This includes establishing a future 14 Employment Facilitators, in addition to the existing 11 facilitators, in the most



disadvantaged Employment Regions across Australia. The program will leverage the National Skills Commission, National Careers Institute and employment service providers to improve regional and national awareness of local labour markets and skills training needs.

### **Women's economic security**

The Government is investing in women's economic security and supporting increased female workforce participation through the 2020 Women's Economic Security Statement. The Government will provide \$240.4 million over five years from 2020-21.

Women will be supported through a range of employment programs, including the \$50 million Women@Work Plan, which will scale up the Women's Leadership and Development Program to support women's job creation, including in male-dominated industries. The Government is establishing a Respect@Work Council to help address sexual harassment in the workplace. The Boosting Female Founders initiative will be expanded, supporting 282 start-ups and 4,300 mentoring engagements for female entrepreneurs. The Government is providing \$25.1 million over five years to assist 500 women into STEM careers through a STEM Industry Cadetship or Advanced Apprenticeship, as well as \$10 million in grants for the Women in STEM and Entrepreneurship (WISE) grants program to deliver at least 20 additional projects to increase women's participation in the STEM sector.

The Government is supporting new parents whose employment was interrupted by COVID-19. As a result, 9,000 individuals will gain eligibility for Parental Leave Pay and 3,500 for Dad and Partner Pay. This change will extend the work test period from 13 months prior to the birth or adoption of the child to 20 months prior, enabling access to Paid Parental Leave (PPL) where eligibility has been impacted by COVID-19. The Government is supporting disadvantaged parents on Parenting Payment through a \$24.7 million expansion of the ParentsNext program.

### **Opportunities for Australian industries**

#### **Modern Manufacturing Strategy**

The Government has released its Modern Manufacturing Strategy, which focuses on driving growth, delivering higher value jobs and improving the resilience of supply chains. To support the strategy, the Government is committing \$1.3 billion to the Modern Manufacturing Initiative. The Initiative will focus on six National Manufacturing Priorities and invest in projects that improve collaboration between businesses, researchers and investors, support the commercialisation of research into market-ready products, and help our local manufacturers connect their goods and services to global value chains.

The Government is committing \$107.2 million to the Supply Chain Resilience Initiative. This will support work with industry to map our supply chains, identify vulnerabilities, and provide targeted funding where necessary to increase our resilience. The Government is also providing \$52.8 million for a second round of funding for the

Manufacturing Modernisation Fund. This will support our economic recovery efforts by fast-tracking shovel-ready, transformative investments in innovative technologies and processes by Australian manufacturers. A further \$50 million is being provided to the Industry Growth Centres initiative for projects that support the National Manufacturing Priorities.

**Defence economic support**

The Government is bringing forward \$1 billion in projects to support jobs for Australians in the Australian defence industry sector.

Accelerating investments in important Australian Defence Force (ADF) capability development projects, infrastructure and national estate works programs will support Australian jobs, at the same time as supporting Defence in responding to changes in our strategic environment.

**Supporting the future of Australia's research sector**

The Government is investing in the future of Australia's research sector by helping to reform the sector, while also providing immediate support to give confidence to universities.

To help drive change in universities, the Government will undertake a scoping study of potential options to accelerate the translation and commercialisation of university research. These options will include new partnerships between universities and industry and opportunities for investments, demonstrating the Government's leadership and commitment to commercialise non-medical research.

The Government is providing \$1 billion in new research funding to the university sector in 2020-21, to safeguard Australian researcher effort. This investment will help avoid lasting damage to the research sector and ensure research remains an important platform for economic recovery.

Building on the Government's successful pilots, the Government is investing \$41.6 million over four years to establish a Strategic University Reform Fund which will encourage universities to undertake innovative reform projects that align with priority areas within local communities. The Government is also delivering the 2020 update of the \$1.9 billion Research Infrastructure Investment Plan which will ensure that investment in national research infrastructure is being maintained to support world leading research and attract international collaboration.

The Government is also providing an additional \$459.2 million over four years to the Commonwealth Scientific and Industrial Research Organisation. It includes \$5 million to enhance agricultural and grazing research facilities. This funding is in response to the impact of COVID-19 on its commercial activities and ensures that it can continue essential scientific research.

### **Investing in lower-emissions technologies**

The Government has released the first Low Emissions Technology Statement. It provides a roadmap accelerating the deployment of low emissions and reliable technologies. This builds on Australia's success in developing and commercialising renewable energy technologies at scale, such as solar photovoltaics.

The Australian Renewable Energy Agency's (ARENA) Large Scale Solar round in 2015 transformed the market. Only four projects had been built prior to the round, all with government grants. Subsequently, there have been 43 projects delivered on a commercial basis, without ARENA grants. It is early investments like these that have contributed to the renewable energy boom that has seen \$30 billion invested since 2017.

The Low Emissions Technology Statement has identified the following priority technology goals for Australia: clean hydrogen, energy storage, both low-emissions steel and aluminium; Carbon Capture and Storage; and soil carbon.

To support these priority technologies, the Government announced a \$1.9 billion package in this Budget, of which \$1.6 billion will be provided to ARENA. This investment will be used to fund research and development to accelerate these new and emerging technologies, and to co-fund investments with the private sector to support businesses to adopt technologies that increase productivity and reduce emissions.

In addition, ARENA and the Clean Energy Finance Corporation will have their investment remits expanded to enable them to help deliver the Low Emissions Technology Statement.

### **Fuel Security**

The Government's \$250.7 million fuel security plan will increase the resilience of the Australian economy to international fuel supply shocks and help secure jobs in fuel-centric industries. Onshore diesel storage, essential for critical services, will be increased by 40 per cent. The Government will contribute \$203.7 million to support the construction of new diesel fuel storage. To help ensure their continued operation, onshore refineries will receive a production payment recognising the fuel security benefits these facilities provide.

### **Gas-fired recovery**

The Government will provide \$52.9 million to support a gas-fired recovery. To unlock Australia's vast gas reserves, \$28.3 million will be invested in five strategic basin plans to help the manufacturing sector and ensure affordable and reliable gas. The first National Gas Infrastructure Plan will identify priority projects and critical infrastructure needs, ensuring gas is delivered where it is needed. Key reforms will create a more competitive and transparent east coast gas market, deliver an efficient pipeline and transportation market and empower gas customers.

## **Guaranteeing Essential Services**

Especially in these challenging times, the Government remains committed to guaranteeing the essential services on which Australians rely. This includes continuing to bolster Australia's health care system and aged care services to look after all Australians, especially the most vulnerable, in addition to the Government's response to the COVID-19 pandemic. The Government is also boosting Australia's resilience, keeping Australians safe, and supporting communities to be prepared for the impacts of natural disasters like drought and flood.

### **Ensuring Government services**

#### **A strong healthcare system**

The Government is continuing to deliver essential services which Australians expect and rely on. This includes significant investment in a strong healthcare system. An estimated \$93.8 billion is being provided to the health system in 2020-21, with funding growing to \$97.5 billion in 2023-24.

The Government is continuing to provide affordable access to new medicines through the Pharmaceutical Benefits Scheme (PBS). By investing \$375.5 million over four years from 2020-21 the Government is reducing out of pocket costs for new and amended listings on the PBS, including medicines to treat leukaemia, melanoma, Parkinson's disease and ovarian cancer, amongst others.

The Government will continue to guarantee the listing of new medicines on the PBS, through the PBS New Medicines Funding Guarantee, which provides uncapped funding for, and safeguards the listing of, new medicines on the PBS. All existing items on the PBS have their funding guaranteed through the Medicare Guarantee Fund, which is established in legislation and secures ongoing funding for all medicines listed on the PBS.

#### **Simpler and more affordable private health insurance**

The Government will provide \$19.5 million over four years from 2020-21 to improve access to and affordability of private health insurance, including by increasing the maximum age of dependents allowed under private health insurance policies from 24 to 31 years, and removing the age limit for dependents with disability. Funding will be provided to enhance the Medical Costs Finder website, to include voluntary fee disclosure for specialists, increase the transparency of out-of-pocket costs and assist consumers to choose a specialist. The Government will work with insurers to make home and community-based care more accessible through private health insurance.

#### **Investing in schools and students**

The Government is continuing to invest in our schools, with an investment of \$309.9 billion to the end of 2030. The Government's recurrent annual funding for schools has grown 58 per cent since 2014, from \$13.8 billion in 2014 to \$21.8 billion in 2020, and

will grow to \$34 billion in 2030. This record funding for Australian schools will ensure all students are prepared for the future.

In this Budget, the Government is investing \$146.3 million over five years in programs which will improve educational outcomes for vulnerable and disadvantaged young Australians and ensure those leaving school have the skills needed to help drive the economic recovery. These measures will support young, disadvantaged Australians impacted by the COVID-19 pandemic and recognise the significant disruption to learning experienced by school children, parents, teachers and schools this year.

Over 76,000 young Australians will be supported to complete secondary school and move into work, training or further study, and funding for the Smith Family's Let's Count program will help around 120,000 3 to 5 year-olds to improve their numeracy skills.

In addition, the Government is committing \$453.2 million until the end of 2021 to support continued access to 15 hours per week of quality preschool education for Australian children in the year before school. This will ensure children get the best start to their education.

#### **Supporting quality aged care**

The Government is continuing to progress reforms to deliver enhanced access, quality and safety in aged care. This includes \$1.6 billion for the release of an additional 23,000 home care packages, to support people who wish to stay at home for longer. A further \$11.3 million will be provided for additional training and support for aged care providers and carers of people experiencing behavioural and psychological symptoms of dementia. Additional funding of \$29.8 million will be provided to improve oversight and investigation of serious incidents of misconduct through the new Serious Incident Response Scheme.

To support the Government's target to reduce the number of younger people in residential aged care, \$10.6 million will be provided to connect younger people to age-appropriate accommodation. The Government is also continuing work on an alternative funding tool for aged care by providing \$91.6 million for the Australian National Aged Care Classification mechanism.

#### **Delivering an effective and mature NDIS**

On 1 July 2020, the Government completed the geographic rollout of the NDIS with the scheme becoming available on Christmas and Cocos Islands. To support the continued implementation of a mature and effective scheme and ensure participants receive quality services as quickly as possible, the Government is providing an additional \$798.8 million over four years to the National Disability Insurance Agency (NDIA) and the NDIS Quality and Safeguards Commission.

The Government is delivering on its commitment to implement a Participant Service Guarantee and setting clear standards and timeframes for decision making by the NDIA, making it easier for people with disability and their families to navigate the NDIS.

#### **Delivering frontline services**

The Government is providing \$219.9 million to transition the social and community services sector (SACS) from SACS wage supplementation and ensure Australians can access the critical frontline services they need. This includes \$132.6 million towards supporting family and child support programs and \$87.3 million towards supporting Family Law and Family Relationship Services.

#### **Your Future, Your Super**

The Government is building on its progress over recent years by delivering a package of reforms that will ensure that members' money is maximised for their retirement. These reforms will save members \$17.9 billion over the next decade.

The reforms will stop the creation of unwanted multiple accounts that reduce retirement savings, implementing Recommendation 3.5 of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

In addition, for those entering the workforce for the first time or wanting to review their superannuation, a new online YourSuper comparison tool will be built to empower members to compare and select a superannuation product that meets their needs.

To further help members, the Government is making it easier for them to know if they are in an underperforming superannuation product. A new performance test will be introduced. Products that fail the test will have to disclose their underperformance to members and sustained underperformers will be prevented from receiving new members.

Finally, the reforms will improve the accountability and transparency of superannuation funds by legislating a stricter requirement for trustees to ensure that expenditure is motivated solely by the best financial interests of members and ensuring they disclose how they are spending members' money.

#### **Supporting Indigenous Australians**

The Government is providing \$46.5 million over four years for the new National Agreement on Closing the Gap. This funding will be used to partner with Indigenous organisations to expand service delivery and build their capacity and business models. The Productivity Commission will provide independent oversight of the Agreement and ensure accountability for progress. To this end, the Government is providing an additional \$10.1 million over four years with ongoing funding of \$2.6 million per year. This resourcing will be used to prepare annual progress reports, three-yearly comprehensive reviews and an improved dashboard to measure progress towards Closing the Gap targets.

The Government is investing \$150 million over three years in the Indigenous Home Ownership Program for new homes in regional Australia. This will help Indigenous Australians into home ownership and support the construction sector in the regions.

The Government is supporting young Aboriginal and Torres Strait Islander men to improve their self-esteem, confidence, leadership skills and engagement in education. By investing an additional \$39.8 million in the Clontarf Foundation, the Government will enable 12,500 students to participate in the program by 2023 and help them complete year 12 and find employment.

The Government is building on its commitment to the Return of Cultural Heritage initiative with \$10.1 million being provided to the Australian Institute of Aboriginal and Torres Strait Islander Studies over four years to secure the return of more cultural heritage to traditional owners and custodians.

The Government is continuing its commitment to the \$5.4 billion Indigenous Advancement Strategy. The strategy funds and delivers a range of programs in areas such as education, employment, health, safety, wellbeing and reducing rates of incarceration.

#### **Supporting veterans and their families**

The Government acknowledges the unique nature and importance of military service, and continues to ensure the best possible system is available to support Australia's current and future military veterans and their families. This Budget delivers enhanced support for veterans and their families to maintain their long-term wellbeing, protect their mental health and assist them to transition successfully to civilian life.

The package includes \$101.7 million in funding over four years from 2020-21 for veteran mental health and wellbeing initiatives, including the \$5 million being provided to expand Open Arms counselling services to support mental health in the veteran community and address the rate of veteran suicide. Measures also include funding to support veterans in the transition process from leaving the Australian Defence Force (ADF) and re-entering civilian life, such as the \$6 million being provided to continue the Prime Minister's Veterans' Employment Program, which promotes the wide-ranging skills of our ADF personnel to employers and rewards businesses for initiatives that support veteran employment.

#### **Building regional resilience**

Our regions and communities have been particularly impacted by COVID-19, which immediately followed the devastating bushfires and drought. The Government is increasing its support to regional Australians, helping our regions, industries and communities through the COVID-19 recovery and building their resilience to future challenges.

**Supporting regional recovery from COVID-19**

The Government will provide more than \$550 million for a package of measures to support regional Australia recover from the impacts of COVID-19 focusing on industries and communities most affected and empowering them with opportunities for future growth. This builds on support provided through the \$1 billion COVID-19 Relief and Recovery Fund.

The tourism sector is an important contributor to jobs and growth in many of our regional economies. With domestic and international border closures having a significant impact on the tourism sector, the Government will invest more than \$250 million for a Regional Tourism Recovery Package to support local approaches to grow our tourism regions. Under the package, the Regional Tourism Recovery initiative will inject \$51 million over two years to regions that are highly reliant on international travellers to diversify and reorient towards attracting more domestic visitors. \$200 million in grants will also be provided through Round 5 of the successful Building Better Regions Fund with \$100 million of the fund to be dedicated tourism-related infrastructure.

Further to this, \$100 million over two years will go towards Regional Recovery Partnerships. These will focus on ten priority investment regions, which have experienced the brunt of COVID-19 and have opportunities to diversify to support longer-term growth and resilience. The partnerships will seek to back-in existing regional plans by developing a package of targeted initiatives with contributions from all levels of government.

Increased capacity and capability in our communities will help to boost longer-term regional growth. In this regard, the Government is providing \$50.3 million to expand the Rural Health Multidisciplinary Training Program and investing in increased training and infrastructure for the rural health workforce. A new \$5.7 million Building Strong, Resilient Regional Leaders initiative will support strong local voices who can help sustain regional Australia's recovery and resilience.

The Government is also providing \$41 million to establish the Securing Raw Materials Program and the Regional Cooperative Research Centres Project to support research and development activities in regional areas.

**Investing in long-term resilience**

The Government is building water infrastructure for the 21st Century through the National Water Grid, which will help secure reliable supplies of water in rural and regional Australia, enabling a strong agricultural sector, now and into the future. The Government has increased its commitment to building water infrastructure across Australia with an additional investment of \$2 billion in the National Water Infrastructure Development Fund more than doubling the fund to a total of \$3.5 billion. The Fund will become a 10-year rolling program of priority water infrastructure investments. Through the National Water Grid Authority and in conjunction with the



States and Territories, the Government will build the dams, weirs and pipelines to boost agricultural production in Regional Australia.

In addition to the National Water Grid, the Government is committed to supporting farmers and communities to prepare for, and recover from, drought and floods, including a further \$50 million to help farmers upgrade their on-farm water infrastructure. The Government will also extend farmers' access to flood recovery grants that fund restocking, replanting and the replacement of damaged on-farm infrastructure. This is in addition to the Government's \$5 billion Future Drought Fund, which will build Australia's capability to plan and prepare for future droughts.

The Government is also investing \$269.6 million to improve the Murray-Darling Basin's (MDB's) river health, to support MDB communities, and to improve sustainable water management. This includes \$70.5 million over four years for projects that will help accelerate implementation of the MDB Plan. The funding will also support a range of environmental projects, community grants programs and the establishment of a new Inspector-General of Water Compliance.

#### **Staying connected**

Investments by NBN Co will assist small and medium businesses across our regions and provide faster network access for millions of households. Upgrading services will stimulate regional and rural Australia with remote work becoming increasingly common across occupations. \$30.3 million will also be provided to improve mobile and broadband services in regional areas, through extension of the Regional Connectivity Program, which is designed to complement the rollout of the NBN.

The Government is helping our aviation industry to maintain essential networks and connect regions through the extension of the Domestic Aviation Network Support and the Regional Airline Network Support programs. These programs have supported an average of more than 500 domestic return services per week to more than 120 city, regional and rural destinations through to August 2020. These commitments bring total Government support for the aviation sector during COVID-19 to \$2.7 billion.

#### **Extending the Northern Australia Infrastructure Facility**

Northern Australia has been particularly hard hit by the fall in tourism through COVID-19. By extending the Northern Australia Infrastructure Facility for five years and expanding its lending criteria, this Budget is ensuring northern Australia economic recovery by supporting job creation and economic development.

## **Enhancing economic and environmental resilience**

### **Cyber Security Strategy**

The Government will provide an additional \$201.5 million to deliver the 2020 Cyber Security Strategy, creating a more secure online world for all Australians. This takes the Government's total funding for the Strategy to \$1.7 billion.

As part of the Strategy, among other initiatives, the Government will invest \$128.1 million to counter cybercrime and \$37.7 million in growing Australia's cyber security skills.

### **Improving services in our Territories**

This Budget is providing \$84.7 million to improve services in the Territories, including \$28.9 million for Christmas Island stormwater, landslide and rock fall mitigation works and \$55.8 million for essential services for Norfolk Island and Jervis Bay.

### **Recycling initiatives**

Australia is phasing out the export of waste, plastic, paper, tyres and glass waste to protect our oceans and create jobs in the recycling industry. The Government will invest \$249.6 million over four years to modernise recycling infrastructure, reduce waste and recycle more within Australia. This includes \$190 million for a new Recycling Modernisation Fund that will drive \$600 million of investment in new infrastructure to sort, process and remanufacture waste.

The package also includes \$35 million to implement the Government's commitments under the National Waste Policy Action Plan and \$24.6 million to improve waste data so we can measure recycling and track progress on waste targets.

### **Caring for the environment**

The Government is investing a further \$47.4 million to protect our oceans and restore their health. This will be achieved through our world-leading management of marine protected areas and through working with countries in our region, including our Pacific family, to protect our region's mangroves, tidal marshes, seagrasses and coral reefs.

The Government has also committed \$29.1 million over six years to reduce the risk of contamination to land and water by implementing a *National Standard for the Environment Risk Management of Industrial Chemicals* in Commonwealth Areas. This will reduce the risk of future contamination of land and water and enable Australia to ratify international chemical conventions. It will enforce national, consistent standards for managing industrial chemicals in Commonwealth areas and control the introduction and export of hazardous industrial chemicals.