

Road to Recovery?

**Budget 2020-21
Update**



RECOVERY?

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Road to Recovery?

The 2020-21 Federal Budget is a road to recovery paved with cash.

Key initiatives include:

- Personal income tax cuts from 1 July 2020
- A \$4 billion 'JobMaker' Hiring Credit to encourage businesses to take on additional employees aged 16 to 35 years old
- \$110 billion in infrastructure investment over 10 years
- Immediate deductions for business investment in capital assets
- Changes to how companies can manage losses
- Access to generous tax concessions for a wider range of businesses

The Budget also contains two additional Economic Support payments to pensioners and other eligible recipients to drive money back into the economy.

By comparison to many, Australia has managed the COVID-19 pandemic well, but good management isn't enough to protect us from the \$213.7 billion deficit in 2020-21. The Government has taken to heart the old adage, "You have to spend money to make money" to trade our way out of a black hole.

Some of the measures are aimed at addressing the harsh lessons COVID-19 has taught us and seek to centralise production back in Australia to ensure our industries can be self-reliant.

Outside of the big ticket tax measures, what is striking about this Budget is the sheer volume of initiatives it funds - too many to itemise in this update. Many of the initiatives aim to improve how Government interacts with the community and business in particular. This funding is focussed on streamlining interaction and compliance with Government requirements and investing in the IT infrastructure required to digitise the compliance process.

The final comments in the Treasurer's Budget speech paint a cautionary tale. The focus right now is on the path to growth and stabilising debt in an effort to boost consumer and business confidence. However, once "recovery has taken hold and the unemployment rate is on a clear path back to pre-crisis levels" of below 6%, the second phase will kick in - the deliberate shift from providing temporary and targeted support to stabilising debt.

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For Individuals

Personal income tax cuts

Date of effect	1 July 2020
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More than 11 million taxpayers will get a tax cut backdated to 1 July this year.”

Treasurer the Hon Josh Frydenberg, Budget Speech 2020-21

As widely predicted, the Government has brought forward stage 2 of its planned income tax cuts by two years. Originally intended to apply from 1 July 2022, the tax cuts will come into effect from 1 July 2020 (subject to the passage of the legislation).

At a cost of \$17.8 billion over the forward estimates, bringing forward the tax cuts is a controversial move. The Government argues that the measure will “boost GDP by around \$3.5 billion in 2020-21 and \$9 billion in 2021-22 and will create an additional 50,000 jobs by the end of 2021-22.” Others in Parliament believe the measure rewards higher income earners and the money could be better spent elsewhere. The Senate will decide whether the Government’s plan comes to fruition.

Stage 3 of the Personal Income Tax Plan that simplifies and flattens the personal income system remains scheduled for 2024-25.

Tax rate	Tax thresholds		
	Current	From 1 July 2020	From 1 July 2024
0%	\$0 - \$18,200	\$0 - \$18,200	\$0 - \$18,200
19%	\$18,201 - \$37,000	\$18,201 - \$45,000	\$18,201 - \$45,000
30%			\$45,001 - \$200,000
32.5%	\$37,001 - \$90,000	\$45,001 - \$120,000	
37%	\$90,001 - \$180,000	\$120,001 - \$180,000	-
45%	>\$180,000	>\$180,000	>\$200,000
LITO	Up to \$445	Up to \$700	Up to \$700

Bringing forward the personal income tax plan will:

- Increase the top threshold of the 19% tax bracket to \$45,000 (from \$37,000)
- Increase the top threshold of the 32.5% tax bracket to \$120,000 (from \$90,000)
- Increase the low income tax offset from \$445 to \$700

In addition, the LMITO (low and middle income tax offset), which provides a reduction in tax of up to \$1,080 for individuals with a taxable income of up to \$126,000, will be retained for 2020-21. This measure was to be removed at the commencement of stage 2 of the reforms from 2022-23.

\$250 economic support payments

Date of effect	November 2020 and early 2021
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Two additional economic support payments of \$250 each will be made to eligible recipients of the following payments and health care card holders:

- Age Pension
- Disability Support Pension
- Carer Payment
- Family Tax Benefit, including Double Orphan Pension (not in receipt of a primary income support payment)
- Carer Allowance (not in receipt of a primary income support payment)
- Pensioner Concession Card (PCC) holders (not in receipt of a primary income support payment)
- Commonwealth Seniors Health Card holders
- Eligible Veterans' Affairs payment recipients and concession card holders.

The payments are exempt from taxation and will not count as income support for the purposes of any income support payment.

Capital gains tax removed from 'granny flats'

Date of effect	1 July 2021 subject to the passage of the legislation
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At present, if you enter into a formal granny flat arrangement with a relative, such as an elderly parent, there is a risk of capital gains tax (CGT) applying.

Announced pre Budget, this measure provides a targeted CGT exemption for granny flats under certain conditions. Under the arrangement, CGT will not apply to the creation, variation or termination of a formal written granny flat arrangement providing accommodation for older Australians or people with disabilities.

The exemption only applies to family arrangements or other personal ties and will not apply to commercial rental arrangements.

10,000 additional places in First Home Loan Deposit Scheme

Date of effect	6 October 2020
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Announced pre Budget, from 6 October 2020 until 30 June 2021, an additional 10,000 places will be available for first home buyers under the [First Home Loan Deposit Scheme](#) to support the purchase of a new home or a newly built home. The scheme enables first home buyers to purchase a home with a deposit of as little as 5% without mortgage insurance. There are currently 27 [participating lenders](#) across Australia offering places under the First Home Loan Deposit Scheme.

Aged care support

\$1.6bn to help elderly stay at home

As previously announced, the Government has committed to a broad package of aged care funding predominantly focussed on helping older Australians remain at home. \$1.6 billion has been provided over four years from 2020-21 to release an additional 23,000 home care packages across all package levels.

The number of home care packages will have increased threefold from around 60,300 in 2013 to around 185,500 in 2021.

Aged care industry monitoring and support

An additional \$400 million will see an injection in cash for infrastructure supporting the aged care industry including a new serious incident response scheme and monitoring services.

Business & Employers

JobMaker Hiring Credit

Date of effect	From 7 October 2020 for 12 months
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The JobMaker Hiring Credit will be available to eligible employers over 12 months from 7 October 2020 for each additional new job they create for an eligible employee.

Eligible employers will receive:

- \$200 per week if they hire an eligible employee aged 16 to 29 years or
- \$100 per week if they hire an eligible employee aged 30 to 35 years.

The JobMaker Hiring Credit will be paid quarterly in arrears. It will be available for up to 12 months from the date of employment of the eligible employee with a maximum amount of \$10,400 per additional new position created.

Employers will need to demonstrate that the new employee will increase overall employee headcount and payroll.

To be eligible, the employee will need to have worked for a minimum of 20 hours per week, averaged over a quarter, and received the JobSeeker Payment, Youth Allowance (other) or Parenting Payment for at least one month out of the three months prior to when they are hired.

Immediate deductions for investment in capital assets

Date of effect	Acquisition of eligible capital assets from 7:30pm AEDT on 6 October 2020 and first used or installed by 30 June 2022
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The Government is really keen for business to invest. This measure enables businesses with an aggregated turnover of less than \$5 billion to fully expense the cost of new depreciable assets and the cost of improvements to existing eligible assets in the first year of use. This means that an asset's cost will be fully deductible upfront rather than being claimed over the asset's life.

While many businesses were already eligible for an instant asset write-off for asset purchases of up to \$150,000, this measure does not cap the asset's cost, and eligibility for the higher instant asset write-off has been significantly broadened and extended (the existing \$150,000 instant asset write-off applies to businesses with turnover less than \$500 million and will not apply to purchases after 31 December 2020).

Second-hand assets

For businesses with an aggregated turnover under \$50 million, full expensing also applies to second-hand assets.

Businesses with aggregated annual turnover between \$50 million and \$500 million can still deduct the full cost of eligible second-hand assets costing less than \$150,000 that are purchased by 31 December 2020 under the existing enhanced instant asset write-off. Businesses that hold assets eligible for the enhanced \$150,000 instant asset write-off will have an extra six months, until 30 June 2021, to first use or install those assets.

Small business pooling

Small business entities (with aggregated annual turnover of less than \$10 million) using the simplified depreciation rules can deduct the balance of their simplified depreciation pool at the end of the income year while full expensing applies. The provisions which prevent small businesses from re-entering the simplified depreciation regime for five years if they opt-out will continue to be suspended.

Ability for companies to carry-back losses

Date of effect	Losses from the 2019-20, 2020-21 or 2021-22 income years
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Companies with an aggregated turnover of less than \$5 billion will be able to carry back losses from the 2019-20, 2020-21 and 2021-22 income years to offset previously taxed profits in the 2018-19, 2019-20 and 2020-21 income years.

Under this measure tax losses can be applied against taxed profits in a previous year, generating a refundable tax offset in the year in which the loss is made. The amount carried back can be no more than the earlier taxed profits, limiting the refund by the company’s tax liabilities in the profit years. Further, the carry back cannot generate a franking account deficit meaning that the refund is further limited by the company’s franking account balance.

The tax refund will be available on election by eligible businesses when they lodge their 2020-21 and 2021-22 tax returns.

Currently, companies are required to carry losses forward to offset profits in future years. Under the proposed amendments, companies that do not elect to carry back losses can still carry losses forward as normal.

This measure will interact with the Government’s announcement to allow full expensing of investments in capital assets. The new investment will generate significant tax losses in some cases which can then be carried back to generate cash refunds for eligible companies.

Note that loss carry-back rules were introduced some years ago by the Gillard government. The rules were repealed and were only operational in the 2012-13 year.

R&D tax concessions injection and simplification

Date of effect	1 July 2021
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The Government has enhanced its proposed shake-up of the R&D system injecting an additional \$2 billion through the Research and Development (R&D) Tax Incentive.

Currently, the R&D Tax Incentive provides the following in respect of eligible R&D activities (for the first \$100 million of eligible expenditure):

- a 43.5% refundable offset for eligible companies with aggregated annual turnover less than \$20m; and
- a 38.5% non-refundable tax offset for all other eligible companies.

Note that the *Treasury Laws Amendment (Research and Development Tax Incentive) Bill 2019*, before Parliament at the time the Federal Budget was released, proposed various amendments to the R&D Tax Incentive to take effect from the 2019-20 income year. The Government is now delaying (by two years) and enhancing the proposed changes.

Companies under \$20m turnover

For companies with an aggregated annual turnover less than \$20 million:

- The refundable R&D tax offset is being set at 18.5 percentage points above the claimant's company tax rate (an increase from 13.5 percentage points above the claimant's company tax rate as previously announced)
- The previously announced annual \$4 million cap on cash refunds for R&D claimants **will not proceed**.

Companies over \$20m turnover

For companies with aggregated annual turnover of \$20 million or more, the previously announced R&D intensity premium, originally intended to apply across three tiers, will now apply across two tiers.

Note the intensity premium will tie the rates of the non-refundable R&D tax offset to the incremental intensity of R&D expenditure as a proportion of total expenditure for the year. The marginal R&D premium will be the company's tax rate plus:

- 8.5 percentage points above the claimant's company tax rate for R&D expenditure between 0 per cent and 2 per cent R&D intensity for larger companies
- 16.5 percentage points above the claimant's company tax rate for R&D expenditure above 2 per cent R&D intensity for larger companies (the previously announced intensity premiums varied from 4.5 to 12.5 percentage points).

The R&D expenditure threshold - the maximum amount of R&D expenditure eligible for concessional R&D tax offsets - will be increased as intended from \$100 million to \$150 million per annum.

FBT exemption for retraining and reskilling workers

Date of effect	2 October 2020
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Announced pre Budget, the Government will provide a Fringe Benefits Tax (FBT) exemption for employer-provided retraining and reskilling, for employees who are redeployed to a different role in the business.

Currently, if an employer provides a benefit to an employee that is not directly related to their current job, FBT applies. This measure enables employers to help employees reskill for a new role or another role with a different employer, without incurring FBT.

The exemption does not apply to retraining acquired through salary packaging or training provided through Commonwealth supported places at universities. The exemption also does not extend to repayments towards Commonwealth student loans.

The Government will also consult on potential changes to the law to allow a worker to deduct expenses they personally incur to undertake training directed at future employment and skills (current rules that limit deductions to training related to current employment, may act as a disincentive for workers to retrain and reskill).

FBT record keeping simplified

Date of effect	First FBT year (1 April) after the date of Royal Assent of enabling legislation
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The Tax Commissioner will be given the power to simplify record keeping requirements for fringe benefits tax purposes by enabling employers to rely on existing corporate records, rather than employee declarations and other prescribed records to complete FBT returns.

Victorian business support grants to be tax-free

Date of effect	Grants announced on or after 13 September 2020 and for payments made between 13 September 2020 and 30 June 2021.
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As previously announced, the Government will make the Victorian Government's business support grants for small and medium business tax-free (non-assessable, non-exempt (NANE) income) for tax purposes.

This program will be extended to all States and Territories on an application basis and is restricted to future grants programs.

State-based grants such as the Business Support Grants are generally considered taxable income unless legislation enables them to be treated as non-assessable, non-exempt income.

100,000 new apprenticeships

Date of effect	5 October 2020
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Announced pre Budget, from 5 October 2020 a business (or Group Training Organisation) that takes on a new Australian apprentice will be eligible for a 50% wage subsidy, regardless of geographic location, occupation, industry or business size. The scheme will be available until the 100,000 cap has been reached.

Under the subsidy, employers will be eligible for up to 50% of the wages of a new or recommencing apprentice or trainee for the period up to 30 September 2021. The maximum subsidy is \$7,000 per quarter.

The subsidy is paid in arrears and is available for wages paid from 5 October 2020 to 30 September 2021.

Eligible businesses are those that:

- Engage an Australian Apprentice between 5 October 2020 and 30 September 2021, and
- The Australian Apprentice or trainee is undertaking a Certificate II or higher qualification, and has a training contract that is formally approved by the state training authority.

Specific regional COVID-19 funding measures

The Government has committed close to \$552 million over four years from 2020-21 to assist regional Australia recover from the impacts of COVID-19 and recent natural disasters including:

- \$207.7 million over five years from 2020-21 for round 5 of the Building Better Regions Fund
- \$100 million over two years from 2020-21 to facilitate Regional Recovery Partnerships with states, territories and local governments in 10 priority investment regions
- \$51 million over two years from 2020-21 to assist regions heavily reliant on international tourism
- \$50.3 million over four years from 2020-21 to support the Rural Health Multidisciplinary Training program
- \$41 million over three years from 2020-21 to support R&D activities in regional areas
- \$30.3 million over two years from 2020-21 to extend Round One of the Regional Connectivity Program to improve access to digital technologies

Your Superannuation

Superannuation accounts ‘stapled’ to an individual

Date of effect	From 1 July 2021
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This reform will ensure individuals continue to use their existing superannuation fund when they change jobs. The fund will be “stapled” to the individual to prevent the duplication of superannuation fund accounts when changing employers.

From 1 July 2021:

- If an employee does not nominate an account at the time they start a new job, employers will pay their superannuation contributions to their existing fund.
- Employers will obtain information about the employee’s existing superannuation fund from the ATO.
- The employer will do this by logging onto ATO online services and entering the employee’s details. Once an account has been selected, the employer will pay superannuation contributions into the employee’s account.
- If an employee does not have an existing superannuation account and does not make a decision regarding a fund, the employer will pay the employee’s superannuation into their nominated default superannuation fund.

The Government expects that future enhancements will enable payroll software developers to build systems to simplify the process of selecting a superannuation product for both employees and employers through automated provision of information to employers.

Accountability of underperforming funds

Date of effect	From July 2021 (MySuper products) From 1 July 2022 (non MySuper products)
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From July 2021, the Australian Prudential Regulation Authority will conduct benchmarking tests on the net investment performance of MySuper products, with products that have underperformed over two consecutive annual tests prohibited from receiving new members until a further annual test shows they are no longer underperforming.

If a fund is deemed to be underperforming in the first of these annual tests, it will need to inform its members of its underperformance by 1 October 2021. When funds inform their members about their underperformance they will also be required to provide them with information about the YourSuper comparison tool (see below). Underperforming funds will be listed as underperforming on the YourSuper comparison tool until their performance improves.

Non-MySuper accumulation products where the decisions of the trustee determine member outcomes will be added from 1 July 2022.

Performance transparency

Date of effect	From July 2021 (MySuper products)
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A new interactive tool (YourSuper) will enable a comparison of simple super (MySuper) products ranked by fees and investment returns. The tool will also provide links to other MySuper products and show current super accounts if the individual has more than one.

The tool will be administered by the ATO.

Trustee accountability

Date of effect	By 1 July 2021
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The obligations on superannuation trustees will be strengthened to ensure their actions are consistent with members' retirement savings being maximised. By 1 July 2021:

- Superannuation trustees will be required to comply with a new duty to act in the best financial interests of members.
- Trustees must demonstrate that there was a reasonable basis to support their actions being consistent with members' best financial interests.
- Trustees will provide members with key information regarding how they manage and spend their money in advance of Annual Members' Meetings.

Infrastructure

Water infrastructure

The Government will provide \$2 billion over ten years from 2020-21 for the development and delivery of a 10-year rolling program of priority water infrastructure investments, including grant funding for the planning and construction of water infrastructure in partnership with the states and territories.

\$7.5bn transport infrastructure injection

Announced ahead of the Federal Budget, transport infrastructure spending is a big winner with each State and Territory sharing in an additional \$7.5 billion to fast track investment in projects. Working in consultation with the State and Territories, the projects have been identified as “ready to go” or “shovel ready.”

Queensland

\$1.3 billion investment in transport infrastructure. Key investments include:

- \$750 million for Stage 1 of the Coomera Connector (Coomera to Nerang)
- \$112 million for the Centenary Bridge Upgrade in Brisbane
- \$76 million for Stage 2 of the Riverway Drive Upgrade between Allambie Lane and Dunlop Street in Townsville
- \$42 million for the Mt Lindesay Highway Upgrade between Johanna Street and South Street in Jimboomba.

New South Wales

\$2.7 billion investment in transport infrastructure. Key investments include:

- \$560 million for the Singleton Bypass on the New England Highway
- \$360 million for the Newcastle Inner City Bypass between Rankin Park and Jesmond
- \$120 million for the Prospect Highway Upgrade
- An additional \$491 million for the Coffs Harbour Bypass taking the total contribution to \$1.5 billion.

And, for those that catch the train each day to work, there are upgrades planned for commuter carparks along the North Shore to St Marys (T1), and the T8 East Hills Line at Campbelltown, Revesby and Riverwood.

Australian Capital Territory

\$155 million investment in transport infrastructure. Key investments include:

- \$88 million for the Molonglo River Bridge
- \$50 million for a South West Corridor upgrade package.

Northern Territory

\$190 million investment in transport infrastructure. Key investments include:

- \$120 million for upgrades to the Carpentaria Highway
- \$23 million to upgrade the Stuart Highway at Coolalinga (part of the \$47 million National Network Highway Upgrades across the Territory)

South Australia

\$625 million investment in transport infrastructure. Key investments include:

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

Tasmania

\$360 million investment in transport infrastructure. Key investments include:

- \$150 million for the Midway Point Causeway (including McGees Bridge) and Sorell Causeway as part of the Hobart to Sorell Roads of Strategic Importance corridor
- \$65 million to upgrade the Tasman Bridge

Victoria

\$1.1 billion investment in transport infrastructure. Key investments include:

- \$320 million for the Shepparton Rail Line Upgrade
- \$208 million for Stage 2 of the Warrnambool Rail Line Upgrade
- \$292 million for the Barwon Heads Road Upgrade
- \$85 million to upgrade Hall Road in Cranbourne
- Work on Stages 2 and 3 of the South Geelong to Waurin Ponds Rail Upgrade will be accelerated with \$605 million brought forward into the forward estimates.

Western Australia

\$1.1 billion investment in transport and infrastructure. Key investments include:

- \$88 million for the Reid Highway Interchange with West Swan Road
- \$70 million for the Roe Highway Widening and Abernethy Road Upgrade
- \$16 million to undertake sealing of priority sections of the Goldfields Highway between Wiluna and Meekatharra
- \$16 million to undertake upgrades on the Broome-Cape Leveque Road and associated community access roads.

Road and safety upgrades

The Government will provide \$2 billion over two years from 2020-21 to deliver small scale road safety projects to provide short term economic stimulus. Road safety projects such as road widening, centre lines and barriers will be identified and delivered by jurisdictions in three six-month tranches to improve safety on Australian roads while stimulating local economies.

Other

Modern manufacturing

As previously announced, the Government has committed to \$1.5 billion over five years from 2020-21 to support its *Modern Manufacturing Strategy*. This strategy has picked six industry winners including resources technology & critical minerals processing, food & beverages, medical products, recycling & clean energy, defence, and space.

\$1.9bn for new energy technology

As previously announced, the Government has committed \$1.9 billion over 12 years from 2020-21 to continue funding the Australian Renewable Energy Agency (ARENA), expand the investment mandate of the Clean Energy Finance Corporation (CEFC), and invest in low emissions technologies, network infrastructure, dispatchable generation and reliable supplies in the National Electricity Market (NEM). Initiatives include investment in:

- emerging low emission technologies to increase their commercial readiness
- a co-investment fund that supports industrial, freight and agricultural businesses to identify and adopt technologies to reduce emissions and increase productivity
- a Future Fuels Fund, which would enable businesses to integrate new vehicle technologies, perform integration analysis and develop improved information on electric vehicles and charging infrastructure
- pilot studies for microgrids in regional and remote areas
- improving productivity and lower energy costs in the building and hotels sectors
- the development of a technology neutral regional hydrogen export hub to boost regional economies

Streamlining the agricultural export process

Date of effect	2020-21
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\$328.4 million over four years has been committed to streamline the process of agricultural exports from 2020-21. The package includes:

- \$222.2 million over four years (and \$22.3 million ongoing) to modernise the ICT systems used to regulate agricultural export assessment and certification services
- \$71.1 million over three years for the sustainability of export certification services
- \$35.2 million over four years for targeted interventions and regulatory reforms in the meat, live animal, seafood, plant and plant product export sectors

Support for drought affected farmers and communities

Over \$155 million will be invested in a package of measures including:

- \$50 million in 2020-21 to extend the On-farm Emergency Water Infrastructure Rebate Scheme
- \$19.6 million in 2021-22 to extend the drought function of the National Drought and North Queensland Flood Response and Recovery Agency for another year
- \$86 million over four years from 2020-21 through the Future Drought Fund to establish eight Drought Resilience and Adoption Hubs that support networks of researchers, farmers, agricultural business and community groups to enhance drought resilience practice, tools and technology (part of the \$100 million pa Future Drought Fund).

2020-21 migration

To date, migration has played an essential role in Australia’s economic growth.

Migration planning levels will remain at 160,000. Family Stream places will increase from 47,732 to 77,300 places on a one-off basis for the 2020-21 Migration Program year, and Employer Sponsored, Global Talent, Business Innovation and Investment Program visas will be prioritised within the Skilled Stream. Those applying on Partner visas will come under greater scrutiny with mandated character checks and the sharing of personal information as part of a mandatory sponsorship application, and sponsors will be subjected to enforceable sponsorship obligations. English language requirements will also be introduced.

Business innovation and investment

Date of effect	1 July 2021
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The Government will require more from those seeking to migrate to Australia on the Business Innovation and Investment Program (BIIP). Visa application charges will rise by 11.3% (above regular CPI indexation) and the program will focus on “higher value investors, business owners and entrepreneurs.”

Temporary visa holders working in key sectors

Agriculture

The Government has made temporary changes to allow temporary visa holders currently working in the agricultural sector to continue to work in Australia during COVID-19.

Working Holiday Maker (subclass 417 and 462) visa holders currently working in food processing or the agricultural sector will be eligible for a further visa and will be exempt from the six-month work limitation with one employer. Seasonal Worker Program and Pacific Labour Scheme workers, and other visa holders currently in the agricultural sector whose visas are expiring, may have their visas extended for up to 12 months to work for approved employers.

Supermarkets, aged and disability care

Student visa holders (subclass 500) will not be limited to the pre-COVID 40 hour per fortnight work limit in:

- supermarkets (up to 30 April 2020)
- aged care with an aged care Approved Provider or Commonwealth-funded aged care service provider
- disability care with a registered National Disability Insurance Scheme provider.

Student visa holders studying relevant medical courses are also exempt from the 40 hour per fortnight work limit if they are supporting COVID-19 health efforts at the direction of the relevant health authority.

The Economy

We knew there was going to be a big black hole of a deficit. The Treasurer revealed \$213.7 billion in 2020-21, with an expectation of this falling to \$66.9 billion by 2023-24.

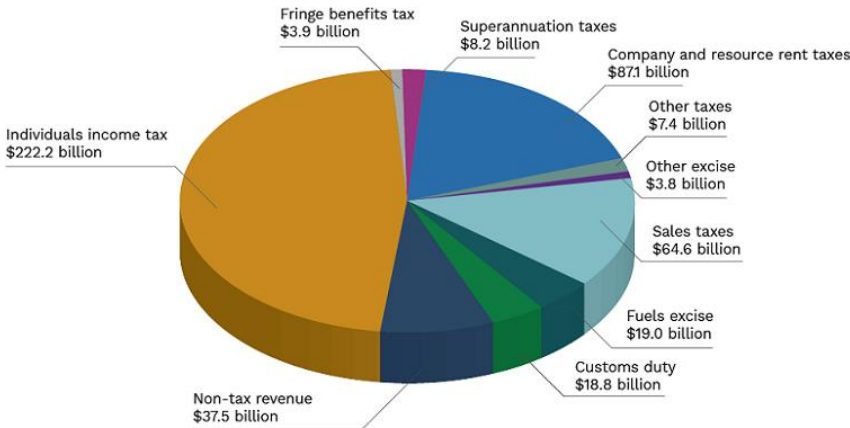
Australia’s economy contracted by 7% in the June quarter.

Gross debt will increase to \$872 billion (45% of GDP) this year and stabilise at around 55% of GDP in the medium term.

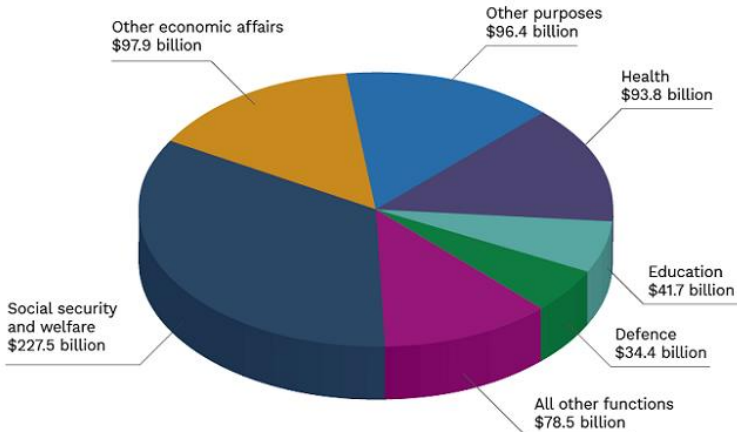
Net debt will increase to \$703 billion (36% of GDP) this year before peaking at 44% of GDP in June 2024, and declining to less than 40% of GDP over the medium term.

GDP is forecast to fall by 3¼% this calendar year and the unemployment rate is forecast to peak at 8% in the December quarter. Next calendar year, GDP is forecast to grow by 4¼%, and the unemployment rate is forecast to fall to 6½% in the June quarter 2022.

Where revenue comes from (2020-21)



Where money is spent (2020-21)



Source: 2020-21 Federal Budget Appendix B: Revenue and spending