

Federal Budget 2021

Budget In-Brief Summary to Australian Chamber Members

11 May 2021 – (Budget-in-depth to follow later this evening)

Economic & Fiscal Position

- An **underlying cash deficit** of \$106.6 billion (5.0% of GDP) in 2021-22 improving to \$57 billion (2.4% of GDP) in 2024-25.
- **Nominal GDP** of 3.5% in 2021-22 before declining to 2% in 2022-23 and reaching 5% in 2024-25.
- **Receipts as a proportion of GDP** are estimated to be 24.3% in 2020-21, decline to 22.6% in 2021-22, then increase to 23.9% in 2024-25.
- **Payments as a proportion of GDP** reach 32.1% in 2020-21 and decline over the forward estimates to 26.2%.
- **Net debt** is estimated to be \$617.5 billion in 2020-21 (30% of GDP), increasing to \$729 billion (34.2% of GDP) in 2021-22 and then rising to \$980.6 billion (40.9% of GDP) in 2024-25.
- **Wage growth** is estimated to be 1.25% in 2020-21, increasing to 1.5% in 2021-22 then rising to 2.75% in 2024-25.
- The **unemployment rate** is forecast to decline from 5.5% in 2020-21 to 5% in mid-2022 and 4.75% in mid-2023, then levelling off at 4.5% in 2023-34 and 2024-25.
- **Net overseas migration** is assumed to be -77,000 persons in 2021-22 before returning to a positive inflow of 95,900 persons in 2022-23, then 202,100 persons in 2023-24 and increasing to 235,000 persons in 2024-25.
- **Population growth** is forecast to be 0.2% in 2021-22 and 0.8% in 2022-23.
- **Terms of trade** is forecast to peak at 10% in 2020-21 before declining to -8% in 2021-22 and then -10.5% in 2022-23.

Table 1: Budget aggregates and major economic parameters

	Actual	Estimates					Total ^(b)
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
Underlying cash balance (\$b)^(c)	-85.3	-161.0	-106.6	-99.3	-79.5	-57.0	-342.4
Per cent of GDP	-4.3	-7.8	-5.0	-4.6	-3.5	-2.4	
Gross debt^(d)	684.3	829.0	963.0	1,058.0	1,134.0	1,199.0	
Per cent of GDP	34.5	40.2	45.1	48.6	49.7	50.0	
Net debt	491.2	617.5	729.0	835.0	920.4	980.6	
Per cent of GDP	24.7	30.0	34.2	38.4	40.4	40.9	

	Outcomes	Forecasts				
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Real GDP	-0.2	1 1/4	4 1/4	2 1/2	2 1/4	2 1/2
Employment	-4.2	6 1/2	1	1	1 1/4	1 1/4
Unemployment rate	6.9	5 1/2	5	4 3/4	4 1/2	4 1/2
Consumer price index	-0.3	3 1/2	1 3/4	2 1/4	2 1/2	2 1/2
Wage price index	1.8	1 1/4	1 1/2	2 1/4	2 1/2	2 3/4
Nominal GDP	1.7	3 3/4	3 1/2	2	4 3/4	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.

(b) Total is equal to the sum of amounts from 2021-22 to 2024-25

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

(d) Gross debt measures the face value of Australian Government Securities (AGS) on issue.

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

Key Policy Initiatives

Headlines

- Business tax relief
 - \$20.7 billion in tax relief for businesses through an extension of both the temporary full expensing and temporary loss carry back programs for another year, to June 2022-23.
- Infrastructure
 - \$15.2 billion over 10 years for road, rail and freight upgrades to create local jobs and boost productivity. (already announced)
 - \$250 million for round six of the Building Better Regions Fund for shovel-ready infrastructure projects outside major capitals (already announced).
- Energy
 - \$215 million to support investment in new dispatchable generation, including \$49.3 million for battery and microgrid projects, \$24.9 million to assist gas generators become hydrogen ready and \$30 million for the Port Kembla gas generator project.

Business and Industry

- Deregulation
 - \$134.6 million deregulation package aimed at cutting red-tape for business dealing with government through targeted initiatives to digitise and streamline services.
 - Companies to benefit from simplified liquidation and restructuring rules.

- Energy
 - \$58.6 million to support key gas infrastructure projects, including the Snowy Hydro gas-fired power station in NSW (already announced).
 - \$316 million to help business and industry reduce energy emissions, while improving productivity and international competitiveness.
- Communications
 - \$4 million for the Australian Communications and Media Authority to run the news media bargaining code involving the major tech platforms. (already announced).
- Manufacturing
 - \$107.2 million for the Supply Chain Resilience Initiative.
 - Further development of our sovereign vaccine capability including production of local mRNA vaccines.
 - Introduction of a Patent Box to encourage innovation and key patents in Australia, through a concessional corporate tax rate on taxable income derived from Australian patents in medical and biotech sectors.
 - \$387.2 million to co-host the Square Kilometre Array project.
 - \$33.7 million to incentivise businesses to use artificial intelligence.
- Digital Economic Strategy
 - \$1.2bn into transforming Australia into a leading digital economy by 2030 and overhaul the government's online services platforms to ensure the nation remains globally competitive. (already announced).
 - \$124m to boost the country's artificial intelligence capability, and establish a national AI centre led by the CSIRO.
 - \$500m will be spent on enhancing the government's myGov, MyHealth Record and digital identity system.
 - boost for small and medium businesses to drive the uptake of e-invoicing.
 - \$35.7m for drones and emerging aviation technologies.
- Cyber Security
 - Further \$50 million to bolster the \$1.67 billion cyber-security strategy announced last year.
- Superannuation
 - Increase in the Superannuation Guarantee to 12% by 2024-25 will proceed as currently legislated.
 - Extending the downsizer scheme to those 60 or older (currently 65 or older), allowing a one-off super account contribution of up to \$300,000 on the sale of the family home outside the rules governing the tax treatment of super.
 - Abolishing the work test for those aged 67 to 74 to enable self-funded retirees to increase their super savings more freely.
- Low emissions technologies
 - \$539.2 million to support the development of 4 additional hydrogen hubs and support for carbon capture, use and storage projects. (already announced)
 - \$565 million plan for low emissions technology partnerships. (already announced)
 - \$100 million for 3 hydrogen project through ARENA (already announced).

- Climate change and natural disasters
 - Establishment of the National Recovery and Resilience Agency, with \$600 million initial funding for disaster preparation and mitigation projects (already announced).
 - \$210 million to establish the Australian Climate Service, bringing together data from the Bureau of Meteorology, CSIRO, ABS and Geoscience Australia to inform emergency responses (already announced).
 - \$10 billion reinsurance pool set up by July 2022 to subsidise high premium costs in north Queensland due to a high volume of disaster events (already announced).
- Housing
 - HomeBuilder extension of the 6-month period to begin construction to 18 months.
 - Family Home Guarantee, supporting up to 10,000 single parents to purchase a home with a 2% deposit, the Government providing a loan guaranteeing the remaining 18% of the loan deposit (already announced).
 - Extending the New Home Guarantee with a further 10,000 places for first home buyers to build or buy a new home with a 5% deposit, the Government guaranteeing the remaining 15% of the loan deposit (already announced).
 - First Home Saver Scheme allowing those saving up for their first home to make voluntary contributions to their superannuation fund to take advantage of the special tax treatment for super – capped at \$15,00 per year with a maximum of \$30,000 (already announced).
- \$300 million to support the reopening of the creative arts sector
 - Includes \$125 million Restart Investment to /sustain and Expand Grants for new productions and festivals.
 - \$20 million to support independent cinemas.

Employment, Education and Training

- JobTrainer
 - \$1 billion extension to the JobTrainer program for another 12 months to train and reskill 17 to 24 year-olds and the unemployed, offering free or low-fee courses that will equip them for work in areas of shortages, including aged care, IT and childcare. Currently half-funded by the states and territories, so any extension of the scheme would have to be negotiated with premiers and chief ministers (already announced).
- Boosting Apprenticeship Commencements
 - extension of the program providing eligible employers a 50% subsidy of wages paid to a new or recommencing apprentice or trainee for a 12-month period from the date of commencement, to a maximum of \$7,000 per quarter.
- \$149.2 million for the establishment of industry owned skills enterprises as part of reform to training arrangements
- Employment services additional investment in wage subsidies, \$481 m Transition to Work program, \$130 m New Enterprise program for unemployed people to establish their own business.

- Attracting Global Talent (already announced)
 - \$500 million streamlining of employee share ownership schemes by not taxing workers on shares when they cease employment and streamlining of disclosure rules.
 - Global Talent Visa providing fast tracked permanent residency to 5,000 people per year targeting high income earners with expertise in one of seven fields including fintech, advanced manufacturing and space.
 - Changes to tax residency rules through a “bright line test”, such that anyone spending 183 days or more in Australia is an Australian tax resident.
 - Tax office “concierge service”, fast-tracking advice for foreign direct investors about proposed transactions or relocation to Australia.
 - Collective Investment Vehicles making it easier for local fund managers to manage foreign money from July 2022.
- International students
 - \$53 million for private colleges that have lost students because of border closures to prevent them from collapsing (already announced).
 - Additional 5,000 Commonwealth supported short-course places in 2021-22 for non-university higher education providers.

Trade & International

- Biosecurity
 - \$371 million boost to biosecurity to keep pests and diseases out of Australia (already announced).
- \$198.2 million over four years from 2021-22 to support Australian exporters and businesses, deliver our Indo-Pacific priorities, and expand our advocacy and cooperation with partners internationally.
- \$112.8 million extension of the International Freight Assistance Mechanism.
- \$37.4 million over three years for the Simplified Trade System reforms to create a simpler, more efficient and digitised trade framework, enhancing Australia’s international competitiveness.

Tourism

- Aviation
 - \$1.2 billion rescue package for two of the sectors hardest hit by the pandemic (already announced).
 - includes 800,000 subsidised flights to encourage domestic tourism and direct payments to airlines and travel agents.

Other

- Income tax
 - \$7 billion extension of the Low to Middle Income Tax Offset, with up to \$1,080 end-of-financial-year rebate for those earning up to \$90,000 (already announced).
- Health
 - \$1.5 billion to expand the range of health responses, including further funding for telehealth, COBID testing and support to prevent outbreaks in remote communities.
 - \$1.9 billion for the COVID-19 vaccination roll-out program.

- Childcare
 - \$1.7 billion to encourage parents working part time to take on extra hours, through an increase childcare subsidies to a maximum of 95% of the daily fees and removal of the cap to enable those earning over \$189,000 access to childcare subsidies (already announced).
- Aged care \$17.7 billion over 4 years (already announced), including:
 - \$7.8 billion to reform residential care and make it a more sustainable system
 - \$6.5 billion for immediate investment for care in the home
 - \$365.7 million to improve the quality of aged care
 - \$216.7 million to support an additional 33,800 places through JobTrainer to increase and improve the skills of the workforce.
- Mental Health
 - \$2.3 billion to deliver improved and expanded mental health services.
- Early Childhood Education
 - \$2 billion over 4 years for to increase participation in the pre-school system and improve school readiness.
- Women's safety
 - \$20.5 million for the implementation of the Respect@Work Report recommendations.
- Indigenous
 - \$128.4 million for a new indigenous skilled employment program.
 - \$36.5 million to boost the capacity of Native Title Prescribed Bodies to take up economic development opportunities.
 - \$84.9 million to assist jobseekers in remote parts of Australia back into work.
 - \$28.1 million to the Indigenous visual arts industry.
- Defence
 - \$747 million for base upgrades in the Northern Territory (already announced).
- Border Security
 - \$464.7 million to bolster domestic detention capability.
 - \$1.3 billion to ASIO over the next decade to enhance its ability to address threat to national security.
- Agriculture
 - \$87 million to help diversify and expand export markets.

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