2021/22

FEDERAL BUDGET SUMMARY

MAY 2021

Business SA
Chamber of Commerce
and Industry South Australia

Contents

Highlights

The fact that the 2021/22 Budget still shows a $106.6b deficit, despite a $53b improvement in the 2020/21 deficit to $161b, is a stark reminder of the incredible impact COVID-19 has had on both Government finances and the Australian economy. For context, the previous deficit peak of $54b occurred during the height of the GFC, albeit interest rates were much higher at that time. With a much stronger than expected economic recovery to date from the worst of the COVID-19 pandemic impacts, the signs at this stage are looking promising though fragile until the vaccine rollout is complete and borders reopen which the Budget advises may not occur until mid-2022. Opening the borders is critical to driving broader economic growth, a key driver of which is inherently population growth; Australia's population growth at present is around zero.

The focus of the 2021/22 Budget is as much about supporting those less fortunate and vulnerable in society as it is about business, particularly considering the additional $17b for aged care. However, there are several measures to cement the current economic recovery reflected through Business SA's March Quarter Survey of Business Expectations which found conditions at their highest level since the December Quarter of 2007, just prior to the GFC. Businesses in sectors still heavily impacted by COVID-19, including events and segments of tourism exposed to international travel, will be disappointed though with no material additional financial support, acknowledging some funding support for the arts and businesses in the international education sector.

The most substantive general business support measure is a 12-month extension to temporary full expensing of assets, which will now expire in June 2023. Temporary loss carry-back provisions have also been extended to include 2022/23 which Business SA welcomes. With skills shortages the number one issue facing South Australian businesses right now, Business SA was pleased to see an extension of the Boosting Apprenticeship Commencement 50 per cent wage subsidy for a further 6 months until March 2022. There has also been a $500m extension to the JobTrainer program which provides either fee free or subsidised training courses to young people and those on JobSeeker.

Low and middle income earners will receive another boost from this year's Budget, with their income tax offset extended to provide tax relief of up to $1,080 per annum for singles, or $2,160 for couples. This will provide a broader economic stimulus with employees in the relevant tax threshold range more likely to spend than save the additional tax return. Furthermore, small non-incorporated business owners will also benefit from this tax relief.

There are several welcome new infrastructure announcements for South Australia, with a particular focus on much needed regional needs including $148m to duplicate 30km of the Augusta Highway, the completion of which has been a key policy priority for Business SA on behalf of regional members. Businesses will also benefit from $161m to complete the Truro bypass and an additional $64m to complete capping the Strzelecki track. A firm funding commitment of $2.6b to complete the Darlington to Anzac Highway stage of North-South Corridor was also provided, noting the full completion of this project is not expected until 2030.

As a state, South Australia also benefits quite materially from the Budget with an update of GST forecasts showing we received an additional $1b of GST in 2020/21 following the more dire prediction in last year's Budget. We are also set to receive an additional $220m in GST in 2021/22 which provides the State Government with more capacity to provide tax relief in areas including payroll tax.

Future innovation has also been promoted through the Budget, with a new patent box scheme designed to substantially reduce corporate tax payable on eligible patent income, starting with medical and biotech patents. A $1.2b investment in the Federal Government's Digital Economy Strategy is also welcome, with a practical focus on cyber-security, the NBN upgrade plan and skills development while financial support to SMEs with medium to high digital capability to adopt artificial intelligence is a positive measure.

Economic & Fiscal Overview

Economic Overview

The recovery of the Australian economy and the Government's bottom line has well and truly begun. The expectations of a long road to recovery are diminishing every day with the budget forecasting 1.25 per cent growth in real GDP 2020/21; a far cry from the 1.25 per cent contraction forecast 7 months ago. Some of the catalysts for recovery include a better-than-expected labour market, higher retail spending and higher than forecast commodity prices. Real GDP growth is expected to remain strong with 4.75 per cent growth forecast in 2021/22. The Government then expects growth to fall to pre-COVID levels of around 2.5 to 2.25 per cent up to 2024/25.

	Actual economic growth (real GDP)		Forecast economic growth (real GDP)				
Budget release	**18/19**	**19/20**	**20/21**	**21/22**	**22/23**	**23/24**	**24/25**
Budget 20/21 (Oct 20)	-	-0.2	-1.25%	**4.75**	2.75	3	-
Mid-year Budget Review (Dec 20)	-	-0.2	0.75	**3.5**	2.5	2.75	-
Budget 21/22 (May 21)	2.2	-0.2	**1.25**	**4.25**	**2.5**	**2.25**	**2.5**

The suppression of COVID-19 has placed Australia in a much better position than many other advanced economies.

The US$10 trillion being spent internationally on health and fiscal support will also see many other countries recover in 2021/22. In particular, Australia's major trading partners – China, Japan, the United States, South Korea and India – are estimated to grow 6.5 per cent in 2021 before falling to 4.25 per cent in 2022, and 4 per cent in 2023. The economic recovery across the globe is expected to be patchy with separate rates of vaccine rollout and lockdowns. Crucially, a strong recovery in the international economy is vital for the long-term recovery of Australia.

Government forecasts unemployment to fall to 5 per cent in 2021/22, followed by 4.75 per cent in 2022/23 with a further decline to 4.25 per cent in 2024/25. The continual decline in the unemployment rate, now at 5.6 per cent, has and will be a major element in ensuring recovery. South Australia, however, still has a long way to go, with unemployment rate at 6.3 per cent, the highest in the nation. With the tapering down of JobKeeper and JobSeeker in March, the June quarter will be a crucial indication of the continual recovery of the labour market.

While the economy's recovery is well underway, there are still several concerns that will hamper the economy's return to normal. In particular, continual closures of borders and restrictions of international travel. Overseas migration is forecast to fall from around 194,000 persons in 2019-20 to around -97,000 persons by the end of 2020/21, and then to -77,000 in 2021/22 before increasing to 235,000 persons in 2024-25. Consequently, this will impact Australia's population growth in the short term which will weigh significantly on real GDP growth. Moreover, the higher education sector will continue to be impacted significantly by border closures, as new international students will begin to bypass Australia for other more open countries including the United Kingdom and Canada.

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Fiscal Overview

The headline of the 2020/22 Budget is the unexpected shrinking of the deficit for 2020/21 from $213.7b to $161b, a $53b reduction. Nonetheless, the deficit is expected to increase above 2020/21 forecasts as the Government continues to fund its fiscal response to the pandemic over the further estimates. We do not expect to see significant budget repair until unemployment declines below 5 per cent.

	Actual Budget (cash) balance $ b		Forecast Budget (cash) balance $ b				
Budget Year	18/19	19/20	20/21	21/22	22/23	23/24	24/25
20/21	0.7	-	-213.7	**-112.0**	-87.9	-66.9	-
Mid-year Budget Review (Dec 20)	-	-	-197.9	**-108.5**	-84.4	-66.0	-
21/22	-	**-85.3**	**-161.0**	**-106.6**	**-99.3**	**-79.5**	**-57.0**

The unexpected decrease in the deficit can be attributed to significant revisions to Government receipts and payments. Government receipts have been revised up on the back of strong economic recovery and strong commodity prices. In particular, the surge in the iron ore price, currently around US$180 a tonne, far exceeds the budget estimate of US$55 a ton. As a result, consumer spending from the economic recovery and a surge in earnings from our big miners has seen tax receipts significantly revised up by $36b for 2020/21. On the flipside Government payments were revised down by $6.6b due to lower than expected spending on the COVID-19 response.

Expect to see a further increase on Government estimates for receipts in 21/22 as the Government continues to lock in its $US55 tonne expectation for iron ore. To put in perspective how influential the iron ore price is on the economy, Government sensitivity analysis on iron ore price movements shows that a ±$US10 per tonne FOB movement adds or subtracts $6.5b to nominal GDP in 2021/22 and $5.7b in 2022/23.

	Actual $ b		Estimates $ b				
Budget 21/22	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Total Receipts	**485.3**	**469.4**	**499.8**	**482.1**	**494.0**	**532.9**	**572.0**
Per cent of GDP %	24.9	23.6	24.3	**22.6**	22.7	23.4	23.9
Total Payments	**478.1**	**549.6**	**660.8**	**588.7**	**593.3**	**612.4**	**628.9**
Per cent of Total Payments %	24.6	27.7	32.1	**27.6**	27.3	26.9	26.2

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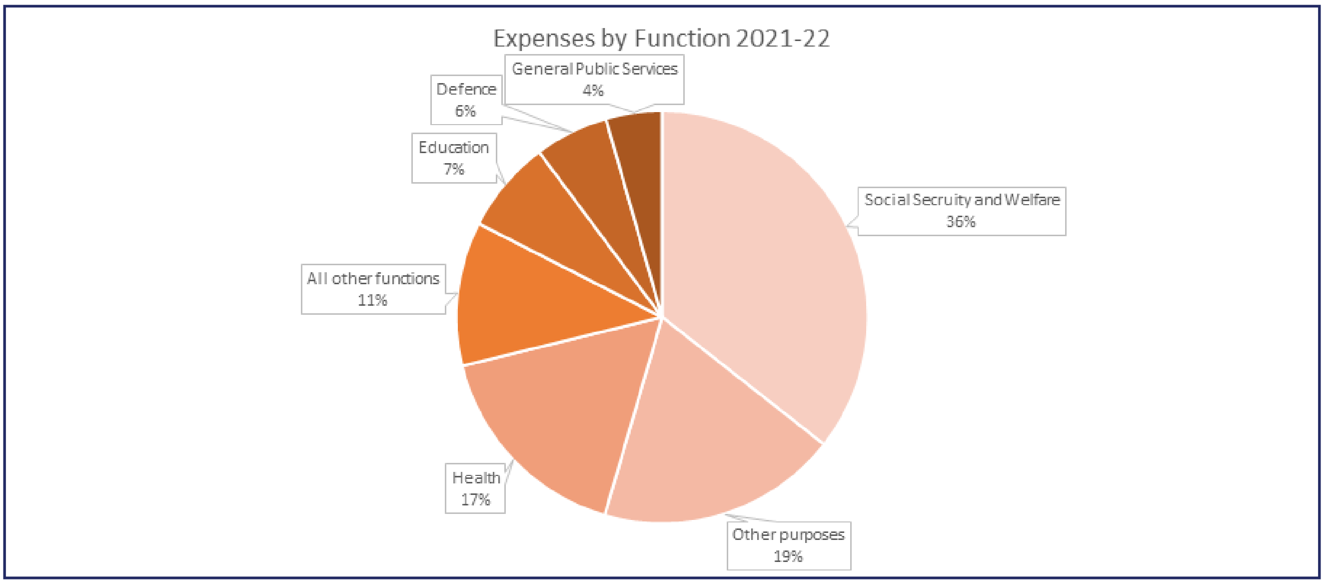
FEDERAL BUDGET



Gross debt is estimated to be 45 per cent of GDP at 30 June 2022 and increases over the forward estimates before stabilising at around 50 per cent of GDP or $1.2t at 30 June 2025. This compares to net debt, which is estimated to reach 40.9 per cent of GDP, $920b, at that time.

While Government debt is at its highest level in history, it is important to note that Australian debt levels (30 per cent of GDB) pale in comparison to other advanced economies around the world. In comparison, Government debt in: Japan is 237 per cent of GDP, United States is 136 per cent of GDP, Canada is 115 pr cent of GDP and Germany is 80 per cent of GDP.

	Actual net debt $b		Forecast net debt $b				
Budget	**18/19**	**19/20**	**20/21**	**21/22**	**22/23**	**23/24**	**24/25**
21/22	**-**	**491.2**	**617.5**	**729.0**	**835**	**920.4**	**980.6**
Per cent of GDP %	24.7	24.7	30.0	**34.2**	38.4	40.4	40.9

GST

Commonwealth payments, including GST payments, to South Australia are expected to significantly increase in 2020/21 from what was forecast in the October budget. For 2020/21, South Australia is set to receive $11b, an increase of $1b from the October budget. The increase can be attribute to Federal Government stimulus and strong economic recovery.

South Australia's GST entitlement alone is set to be revised up from $5.6b to $6.5b for 2020/21. However, while South Australia's GST is forecast to decline for 2021/22 then increase into the forward estimates, the State's share is set to decrease gradually over the forward estimates in line with horizontal fiscal equalisation methodology.

	Actual $b		Forecast $b				
Budget	**18/19**	**19/20**	**20/21**	**21/22**	**22/23**	**23/24**	**24/25**
All Commonwealth payments to South Australia	11.69	10.35	11	**11.46**	12.10	12.58	12.80
GST Payments made to South Australia $b	6.67	6.10	6.53	**6.71**	6.83	7.10	7.40
Per cent of total GDP Pool %	10.23	10.13	9.36	**9.25**	9.00	8.96	8.88

COVID-19 Health Update & Assistance with Impact of Ongoing Restrictions

Although global economic activity is expected to recover as the vaccine coverage broadens and reduces the need for containment measures, uncertainty around the timing, progress, ongoing efficacy and uptake of vaccine rollouts (heightened by the emergence of new virus variants), remains.

Initially indicating that all Australians would have access to the vaccine by the end of 2021, the Government has appeared hesitant to put any targets in place. Further, acknowledgement that international borders will not be opened until at least mid-2022 is cause for concern. Business sectors such as tourism, trade, education and manufacturing remain heavily impacted by the delay in opening international borders for travel and trade.

Business SA welcomes an additional $1.9b over 5 years to distribute and administer the vaccine. Further, the Government has announced funding to manufacture mRNA vaccines onshore. While negotiations are underway, we are particularly keen to see South Australia land this deal with media reports indicating that Adelaide is already home to Australia's "most advanced facility of its kind in Australia".

The Federal Government has committed $879m over 2 years for the health response to the COVID-19 pandemic, including:

- $557.1m for extended COVID testing and detection
- $204.6m for extension of existing telehealth services.

Business SA has been calling on Government to continue support to businesses still heavily impacted by COVID restrictions, including through funding to enable business development in sectors like events. Although the Budget included $222m support over 2 years for the arts sector impacted by the pandemic, the dollars are spread quite thinly across a range of areas and the likely material impact of this funding is limited. Again, $53.6m for online and offshore education delivery for higher education and English language providers is welcome, but the lack of further funding for the higher education sector does not reflect the disproportionate impact on this sector from being highly exposed to closed borders.

Key Budget Measures for Business and the South Australian Economy

1. Tax

There were a number of helpful tax measures to support economic growth, including an extension of the low and middle income tax offset and instant asset write-off rules. However, there were no changes that might have gone further to assisting heavily impacted industries, including the FBT exemption for meals and entertainment expenses Business SA had been lobbying for. While there was no broad expansion of the R&D tax incentive, a helpful new patent box initiative will assist with boosting innovation in the medical and biotech sectors.

a) Extension of low and middle income tax offset ($7.8b)

This tax offset was introduced last year and has been continued in the Budget. It results in a tax break of up to $1,080 per eligible individual in 2021/22, or $2,160 for couples. This additional tax break will have a helpful stimulatory impact on the economy more broadly, with a tax break focused on this income band coming with a higher propensity to be spent than saved.

b) Extension of Temporary Full Asset Expensing & Loss Carry-Back Rules ($20.7b)

Following the remarkable success of the initial stage of the temporary full asset expensing initiative handed down last year, the Budget has extended this initiative until June 2023. This will be of great assistance to a range of businesses in supporting their decisions to invest in productive capital equipment and vehicles. Second hand assets are also included in this extension, but only for businesses with up to $50m in aggregated turnover.

Businesses are also able to use the 2022/23 financial year as an extension of last year's introduction of loss carry-back rules. This will effectively enable losses incurred through until 2022/23 to be offset against profits made in years back to 2018/19. Again, this will provide a range of businesses access to additional financial flexibility to manage through what will remain uncertain times until the vaccine rollout is completed and we re-open our borders. It will also encourage all businesses to invest now, even it if pushes them into a temporary loss position, provided they have previous profits to offset against.

c) Patent Box Initiative

The Budget introduces a patent box regime which is designed to encourage innovation in sectors starting with medical and biotech. This is based on models in the United Kingdom and other international jurisdictions like Singapore with patent box mechanisms in place. In effect, this means a concessional effective corporate tax rate of 17% on patent income from years starting 1 July 2022.

Importantly, the detailed design of this initiative will be subject to further industry consultation. For example, there is not much detail about how this will interact with dividend imputation and other tax related matters. The Federal Government will also consult on whether its patent box measure should be extended to the clean energy sector.

d) Changes to Employee Share Schemes and Individual Tax Residency Rules

A range of tax measures have been introduced to leverage off unrest in many competitor countries, such as Hong Kong, and highlight Australia's strong COVID management and tax competitiveness in light of the United Kingdom and United States moving towards higher company tax rates. With respect to employee share schemes, the Federal Government will remove the cessation of employment taxing point for the tax-deferred Employee Share Schemes (ESS) available for all companies. This will apply to ESS interests issued from the first income year after the date of Royal Assent of enabling legislation and is equivalent to $345m in tax relief in 2023/24 and $205m in 2024/25. This is a helpful change to encourage employers that use ESS to attract, retain and motivate staff and is particularly useful for companies competing for global talent.

Measures will also be implemented to modernise individual tax residency rules to provide greater certainty and reduce compliance costs for globally mobile individuals and their employers. In short, the Government will replace Australia's current individual tax residency rules with a new set of rules for determining the residency of individuals for income tax purposes. The primary test will be a simple 'bright line' test under which a person who is physically present in Australia for 183 days or more in any income year will be an Australian resident for income tax purposes, regardless of any other factors (for example, whether the individual maintains a home or significant assets outside of Australia). Individuals who do not meet the primary test will be subject to a secondary test that requires individuals to determine whether they are residents based on the number of days they are in Australia during the year and other objective factors.

e) Tax relief for small brewers and distillers

The Government will increase support to brewers and distillers by aligning excise refunds with the wine equalisation tax producer rebate. From 1 July 2021, eligible brewers and distillers will be able to receive a full remission (up from 60 percent) of any excise they pay, capped at $350,000 (up from $100,000) per financial year.

This Budget support equates to $225m to the brewing and distilling sectors over 4 years and will be particularly helpful as Australian beverage manufacturers chase new export markets and prepare for the gradual re-opening of borders to international tourists.

f) New powers to support small business tax disputes with the ATO

The powers of the Administrative Appeals Tribunal will be extended to pause or modify ATO debt recovery action in related to disputed debts being reviewed by the Small Business Taxation Division. This could be a helpful measure to support businesses heavily impacted by COVID-19 restrictions in providing further flexibility as they seek to restructure.

In effect, small businesses would no longer have to pay 50 per cent of the disputed tax debt to pause the dispute process.

2. Education & Skills

Prolonged international border closure and decreased labour mobility has significantly contributed to widespread skills and labour shortages. Businesses desperately need Government investment in skills and to help unemployed people into work. Right now, skills shortage is the number one issue for South Australian employers and Business SA welcomes extra investment and continuation of successful skills and participation programs.

Most notably and in line with Business SA's advocacy, the Federal Government has extended the highly successful Boosting Apprenticeship Commencements (BAC) program by an extra 6 months to March 2022, maintaining its 50 per cent subsidy level. BAC has been very popular, with places in the initial round taken up 6 months quicker than expected, creating tens of thousands of new job and training opportunities. Further, businesses that had not previously taken on a trainee or apprentice have since done so with great success, encouraged by BAC.

The $1b JobTrainer scheme was introduced last year to drive job creation by up-skilling school leavers (17- to 24-year-olds) or people who are unemployed through the provision of free or low-fee courses in areas of skill shortages. The Budget provided a further $506.3m to provide 163,000 places and extend the program until 31 December 2022. The Fund will support training and upskilling in critical industries like aged care (33,800 places) and digital skills (10,000 places) as well as selected industries continuing to be affected by COVID-19. The Government will continue to negotiate a new National Skills Agreement with the states and territories — who fund half the scheme — to extend it until the end of 2022.

The Australian Apprenticeships Incentives Program provides for a range of payments to encourage people to enter into apprenticeships and traineeships and opportunities for skills-based training and development of employees. The current system will be extended to September 2021, then replaced on 1 October 2021 with a simplified Australian Apprenticeships pathway, which will be easier for employers to access and navigate.

The Government has also committed $285m over 5 years from 2020/21 (and $74.2 million per year ongoing) toward Stronger Support for Skills Reform.

Business SA welcomes the commitment of $149.2 million over 4 years from 2021/22 to establish up to 15 industry-owned Skills Enterprises to deliver improved skills and workforce outcomes through collaboration with industry and to ensure that the Vocational Education and Training (VET) system is responsive to industry and employer skills needs. This is a model advocated for by the Australian Chamber of Commerce and Industry.

The Federal Government has also committed:

- $69.1m over 5 years from 2020/21 to establish a new VET National Data Asset by leveraging the existing capability of the Australian Bureau of Statistics' Multi-Agency Data Integration Project to measure VET outcomes at the provider and course levels.
- $30.9m over 4 years from 2021/22 to redesign and rebuild the National Training Register to provide greater transparency of training packages, and improved information about work placements and assessment.
- $23.6m over 4 years from 2021/22 to support foundation skills, by uncapping the Skills for Education and Employment program, increasing project funding to accelerate the inclusion of digital skills training for jobseekers in the program, providing additional funding for foundation skills policy development, and leveraging the Reading Writing Hotline to promote the Foundation Skills Guarantee.
- $12.1m over 4 years from 2021/22 to simplify Australian apprenticeship pathways information, and to develop a single national digital apprenticeship portal.

As part of the Digital Economy Strategy the Government will provide:

- $43.8m over 3 years from 2021-22 to expand the Cyber Security Skills Partnership Innovation Fund to further secure and build capability across national priority sectors identified in the Modern Manufacturing Strategy. The intention of this scheme is to create a pipeline of cyber security professionals that can meet growing demand for cyber jobs across the Australian economy.
- $10.7m over 3 years from 2021/22 to trial up to 4 industry-led Digital Skills Cadetship pilots to develop new pathways to increase the number of Australians with high level digital skills to ensure training in digital skills is relevant, timely and meets the needs of our economy.

- $22.6m will be provided over 6 years from 2021/22 to establish the Next Generation Emerging Technologies Graduates Program to provide up to 234 scholarships in emerging technologies areas.

Additional support for tertiary and international education providers in the Budget includes:

- $26.1m over 4 years from 2021/22 to assist non-university higher education providers to attract more domestic students through offering 5,000 additional short course places in 2021.
- $9.4m in 2021/22 to provide grants of up to $150,000 to eligible higher education and English language providers to support innovative online and offshore education delivery models.
- A continuing commitment of $1.1 million over 2 years from 2021/22 to create new employment pathways for students and boost financial incentives for universities to enrol students in 'Industry PhDs'. This measure will introduce an additional weighting in the Research Training Program funding formula for PhD students who undertake an industry placement. This measure will be partially offset by funding already provided for and also by redirecting $11.4m over 4 years from 2021/22 (and $0.6m per year ongoing) from the Higher Education Support program.

Aged care – Government Response into the Royal Commission into Aged Care - Workforce

Business SA welcomes the Government commitment of $652.1m over 4 years from 2021-22 to the Workforce component of the $17.7b aged care package - the Government Response into the Royal Commission into Aged Care. Funding includes:

- $216.7m over 3 years from 2021/22 to grow and upskill the workforce and enhance nurse leadership and clinical skills through additional nursing scholarships and places in the Aged Care Transition to Practice Program, to provide more dementia and palliative care training for aged care workers, to recruit aged care workers in regional, rural and remote areas and to provide eligible registered nurses with additional financial support.
- $228.2m to support the establishment of a single aged care assessment workforce for residential care from October 2022, and for home care from July 2023
- $91.8m over 2 years from 2021/22 to support the training of 13,000 new home care workers
- 9.8m over 2 years from 2021/22 to extend the Care and Support Workforce national campaign.

The Government has also committed $243.6m over 5 years from 2021/22 to improve economic, social and education outcomes for Indigenous Australians. Funding for this measure has already been provided for by the Government.

Funding includes:

- $128.4m over 3 years for a new Indigenous Skills and Employment Program, which will replace existing programs, including the Employment Parity Initiative, Vocational Training and Employment Centres, and Tailored Assistance Employment Grants; and
- $63.5m over 4 years from 2021/22 to support an additional 2700 places in Indigenous girls' academies. These placements will provide culturally appropriate support to girls and young women to graduate Year 12.

3. Infrastructure

The Federal Government has committed an additional $15b in infrastructure funding over the next 10 years bringing the commitments for new and accelerated over 10 years to $110b. Since the beginning of 2020/21, 45 Federal Government projects worth $7b have been completed, with 124 projects worth $8.4b in progress. The Budget also included $1b to extend the Local Roads and Community Infrastructure Program to 2022/23, and a further $1b to extend the Road Safety Program to 2022/23.

Of the additional $15.2b in infrastructure funding, South Australia will receive $3.4b, or 22.4 per cent of national funding, up from an 8.3 per cent infrastructure funding allocation in last year's Budget. $2.6b is for the previously announced completion of the North-South Corridor, with a key remaining section between Darlington and the Anzac Highway now funded. Beyond that, South Australia is awaiting funding for the final 4.8 km stage between the River Torrens and Anzac Highway which is still not tipped for completion until 2030.

The South Australian roads package in this year's Budget also includes:

- Extra $27.6m for overpass near Port Wakefield and township highway duplication
- $161.6m for Truro bypass (with South Australia Government contribution of $40m)
- $48m for Heysen Tunnel refit and upgrade (Stage 2)
- Additional $64m for sealing the Strzelecki Track (which now effectively enables this project to be completed over the next few years, noting the methodology has shifted to capping as opposed to an entire new road construction)
- $148m for 30km stage of Port Augusta Highway duplication between Port Wakefield and Lochiel (representing approximately 15 per cent of total distance that needs to be duplicated)
- Additional $60m for Gawler rail line electrification
- $22.5m for upgrade to the Marion Road and Sir Donald Bradman Drive intersection
- $32m road package for Kangaroo Island for safety upgrades to Hog Bay Road and Playford Highway (as well as a bushfire resilience package)
- $5m for a Greater Adelaide Freight Bypass Planning Study

Business SA welcomes the above announcements, particularly the part-duplication of the Augusta Highway which has been a key policy priority of ours. While the first stage is only 30km, it represents part of a longer-term vision which is important to instil confidence in businesses and lead to investment in regional South Australia. The Truro bypass and further sealing of the Strzelecki Track are also important regional infrastructure projects. While Business SA had also been calling on support to duplicate the Dukes Highway, the overall funding commitment to South Australia in this year's Budget is relatively high.

With respect to the Strzelecki Track upgrade project, a completely new road was forecast to cost more than twice the price of capping, and the Government has advised capping will still result in substantial improvements to the status quo in terms of general accessibility and travel times for industry and tourists. Further works are also anticipated to be completed to creek areas to rectify problems as they arise through weather events with capping only, but these issues are expected to be able to be rectified much faster as a result of the entire track being capped.

> INFRASTRUCTURE

4. Employment

Getting Vulnerable Australians Back to Work will provide $258.6m over 4 years to increase labour market participation by providing additional support for jobseekers by boosting wage subsidies for eligible job seekers. This includes:

- $213.5m over 4 years from 2021/22 which will almost double the Local Jobs Program to 51 employment regions and to extend the program for 3 years from 30 June 2022 to 30 June 2025. The Local Jobs Program supports tailored approaches to accelerate reskilling, upskilling, and employment pathways in selected regions, supporting Australia's economic recovery from the COVID-19 pandemic.
- $15.6m in 2021/22 to increase all wage subsidies to $10,000 for eligible participants in jobactive, Transition to Work, and ParentsNext to incentivise employers to hire eligible disadvantaged job seekers. This will align with wage subsidies commencing under the New Employment Services Model measure from 1 July 2022.
- $15.5m over 2 years from 2020/21 to provide more people the opportunity to start their own small business, by providing an additional 1,000 places under the New Business Assistance with New Enterprise Incentive Scheme program and an additional 350 places under the Exploring Being My Own Boss Workshop program.
- $7.9m over 3 years from 2020/21 to incentivise employment services providers to ensure job seekers referred from Online Employment Services before 30 June 2022 are appropriately supported into employment as quickly as possible.
- $6.2 million over 2 years from 2020/21 to deliver a combination of up to 26 physical and virtual Jobs Fairs across the country between June 2021 and June 2022.
- $1.6m over 2 years from 2020/21, to amend the Relocation Assistance to Take Up a Job program to provide additional support for jobseekers relocating to take up employment, including short term agricultural work under AgMove. Eligibility requirements under this program will be changed so that relocating participants who take up a minimum of 40 hours work in at least 2 weeks can receive up to $2,000 in relocation assistance, and those who take up a minimum of 120 hours work in at least 4 weeks can receive up to $6,000 in relocation assistance. The age requirement for the program will also be changed from 18 years to 17 years to support school leavers.

The Government has also committed $111m over 5 years from 2020/21 to provide quality servicing to Community Development Program recipients who have lost their job as a result of the COVID-19 pandemic and develop a new Remote Jobs Program pilot in selected regions across Australia.

The Government has committed $12.2m over 2 years from 2021/22 to fund an additional round of the National Careers Institute Partnership Grants program to support projects that facilitate career opportunities and career pathways for women. A further $2.6 million over 3 years from 2021/22 has been committed to expand the Career Revive program to support more medium to large regional businesses attract and retain women returning to work after a career break.

As part of the Women's Economic Security Package previously announced, the Government has committed $1.7b over 5 years from 2020-21 ($671.2 million per year ongoing) to assist families by reducing out of pocket costs and supporting parents to take on extra work. The changes will effect higher income families with a second and subsequent child at child care by increasing the Child Care Subsidy (CCS) rate up to a maximum CCS rate of 95 per cent for these children from 11 July 2022. The changes will also remove the CCS annual cap of $10,560 per child per year on households with an income of more than $189,390 from 1July 2022.

The Government estimates the changes will help around 250,000 families.

The Women's Economic Security Package also provides employment support in the form of:

- $42.4m over 7 years from 2021/22 to establish the Boosting the Next Generation of Women in Science, Technology, Engineering and Mathematics (STEM) Program by co funding scholarships for women in STEM in partnership with industry.
- $38.3m over 5 years from 2021/22 to increase grant funding available through the Women's Leadership and Development Program.

- $13.9m over 4 years from 2021/22 to establish an Early-Stage Social Enterprise Foundation focused on providing capacity building and financial support for early stage social enterprises that improve the safety and economic security of Indigenous women.
- $12.2m over 2 years from 2021/22 to fund an additional round of the National Careers Institute Partnership Grants program to support projects that facilitate career opportunities and career pathways for women.
- $2.6m over 3 years from 2021/22 to expand the Career Revive program to support more medium to large regional businesses attract and retain women returning to work after a career break.
- Expanding the Mid-Career Checkpoint Program to Victoria, beyond existing pilots in Queensland and New South Wales, and expanding eligibility to include people who have been absent from work due to caring responsibilities for 6 months or more and existing workers at risk of unemployment, primarily targeting female dominated, COVID 19 affected industries. Training grants of up to $3,000 will also be available to support skills and training needs to increase employability and support career advancement. Funding for this will be met from within the existing resources of the Department of Education, Skills, and Employment.

The Government has also committed $699.4m over 5 years from 2020/21 to deliver a New Employment Services Model, that has been trialled in South Australia, that is planned to replace Job Active from July 2022. This reform will modernise how Government connects job seekers with employment, providing digital and tailored assistance.

The funding includes:

- $481.2 million over 4 years from 2021/22 strengthening and continuing the Transition to Work program to provide specialist youth employment services (for young people aged 15 to 24).
- $129.8 million over 4 years from 2021/22 by streamlining the New Business Assistance with New Enterprise Incentive Scheme (NEIS) program under the New Employment Services Model (NESM). NEIS provides personalised support to help eligible Australians become self-employed business owners.
- $80.8 million over 5 years from 2020/21 for continued investment in the Digital Services Contact Centre.
- $7.6 million over 2 years from 2021/22 through extending the 1800 CAREER Information Service until 30 June 2023.

Update on JobMaker hiring credit scheme:

No additional funds were committed to this scheme which was forecast to generate 450,000 jobs from 2020/21 to 2022/23, but so far it has only supported about 1,100 jobs. The $4b set aside for the JobMaker Hiring Credit program will not part-fund other new or extended jobs training programs.

The youth-focused JobMaker hiring credit, which provides incentive for businesses to hire young people, will still be available but is only expected to support 10,000 jobs over the next 2 years, instead of the 450,000 predicted last year.

5. Trade

The Government has introduced several new initiatives to increase export productivity and to help diversify export markets. With many exporters reeling from the degradation of trade relations with China, the need to ensure exporters can find new markets and compete on price is now more important than ever.

Simplified Trade System – An additional $37.4m over 3 years from 2021/22, builds on a previously announced $28.6m measure in the 2020/21 budget. The funding will be directed to support initiatives to improve Australia's trade system. This includes a review into regulatory processes and ICT systems.

International Freight Assistance Mechanism – While this measure was announced in March 2021, it ensures that funding for the mechanism remains in place to September 2021.

Anti-Dumping Regime – this measure will provide a further $5m in funding to the Anti-Dumping Commission to provide businesses advice on whether goods are subject to anti-dumping duties.

Enhanced Trade and Strategic capability – the Government will provide $198.2m over 4 years, and a commitment of $33m per year ongoing, to advance Australia's international interests through support to Australian exporters and businesses. This funding will be partially offset by temporarily reducing funding for the New Colombo Plan. The funding will be directed to:

- Maximise economic opportunities to diversify export markets.
- Increase Australia's contribution to global efforts to reform the World Trade Organization (WTO) in order to strengthen the global rules based trading system and enhance Australia's capability to engage in WTO dispute settlement as necessary.
- Expand Australia's advocacy and cooperation with partners internationally in pursuit of a free, open and resilient Indo Pacific.
- Sustain the Government's overseas diplomatic network.
- Global Resources Strategy – A new $20.1m initiative to deliver a Global Resources Strategy that will support the diversification of Australia's commodities exports. The Strategy's aim is to support Australian resource industries identify new investment opportunities in existing and new export markets.

6. Migration

Migration Program — 2021/22 planning levels

While there will be little immediate effect, the Government will maintain the 2021/22 Migration Program planning level at 160,000. Family and Skilled stream places will be maintained at their 2020/21 planning levels, with a continued focus on onshore visa applicants, including reducing the onshore Partner visa pipeline. This measure is intended to ensure the Migration Program is appropriate for the current health and economic circumstances.

The Humanitarian Program will be maintained at 13,750 places in 2021/22 and over the forward estimates, and the size of the program will remain as a ceiling rather than a target.

Business SA welcomes the previously announced additional flexibility for student visa holders to temporarily work in the tourism and hospitality sectors in addition to agriculture (from 1 January 2021) and health and aged care in order to support Australian businesses in these sectors to find workers, given the ongoing international border closures imposed to manage the health risks of COVID-19.

This measure builds on previous changes, in response to COVID-19, which allows international students working in critical sectors, to be exempt from the existing 40 hour a fortnight cap.

In addition, the 408 visas (COVID-19 Pandemic event stream), a temporary visa that allows migrants to stay in Australia to work if employed in a critical sector had previously been limited to the following critical sectors: agriculture; food processing; health care; aged care; and disability or child care. A recent announcement by the Minister for Immigration, the Hon Alex Hawke, has added tourism and hospitality to this list of critical sectors, now enabling temporary visa holders currently employed in (or intending to be employed in) tourism and hospitality access to this visa. This visa can be applied for up to 90 days before the expiry of an existing temporary visa, allowing the visa holder to remain in Australia for up to an additional 12 months.

Also previously announced is the removal the requirement for applicants for the Temporary Activity visa (subclass 408) to demonstrate their attempts to depart Australia if they intend to undertake agricultural work. The period in which a temporary visa holder can apply for the Temporary Activity visa has also been extended from 28 days prior to visa expiry to 90 days prior to visa expiry.

In addition, the Government will amend the Migration Act 1958 to strengthen migrant worker protection in response to recommendations of the Report of the Migrant Workers' Taskforce.

The Government has committed to a new delivery model for the Adult Migrant English Program from 1 July 2023 to improve English language, employment and social cohesion outcomes for migrants by linking provider payments to student outcomes. Financial implications of this measure are not for publication due to commercial sensitivities.

Funding had also been committed to continue the Global Service Centre to respond to enquiries from individuals, businesses and industry on visas, citizenship, trade and customs related matters. Financial implications of this measure are not for publication due to commercial sensitivities.

In response to these changes, Jenny Lambert, Acting CEO of the Australian Chamber of Commerce and Industry said:

"These incentives alone won't be enough to secure our economic success. We are a middle-sized country and rely on open borders - we need to address our international border restrictions by gradually reopening international travel, and also work towards a bigger Australia."

"As our future prosperity relies on population growth, the forecasts for Net Overseas Migration are concerning, with 2021/22 predicted to still be in negative at -77,400 and only 95,900 the following year, less than half pre-COVID levels."

"We need to boost migration numbers and fill urgent skills gaps much sooner than the forecast. We can't go it alone if we are to remain globally competitive in a post-COVID world."

Trades Recognition Australia

TRA provides skills assessment services for migrants seeking to work in technical and trade occupations so they can fully participate in the labour market and fill employment gaps in a timely manner. The government announced that TRA's activities will become demand driven and fees will be structured to ensure that they are aligned with the Australian Government Charging Framework and Cost Recovery Guidelines. Following public consultation, the new cost recovery-based fees will commence from 1 September 2021. This, and the flow on effect, may increase the costs of an already costly process for employers.

7. Energy & Environment

The key Budget measure in the way of substantive support for clean and affordable energy was an additional $1.6b investment in the Technology Investment Roadmap for development of 4 additional clean hydrogen export hubs, and trialling of new livestock feed technologies that reduce emissions. There was also a mix of medium sized initiatives including:

- $215.4m to support investment in new dispatchable generation (including $76.9m to support Portland Aluminium Smelter's participation in the Reliability and Emergency Trader mechanism).
- $49.3m for battery and microgrid projects; and
- $24.9m to assist new gas generators to become hydrogen ready.

With wholesale market electricity prices in South Australia well below the highs reached from 2015 to 2018, and substantial new network investments including the NSW-SA interconnector on the way, the level of Budget support for energy was relative in a broader market context.

The Government has announced further incentives for recycling with $11m over 4 years, including:

- $5.9m for a further grant round of the National Product Stewardship Investment Fund; and
- $5m over 3 years to support small business to adopt the Australasian Recycling Label.

The Budget also committed $59.8m for a Food Waste for Healthy Soils Fund to deliver grants in partnership with the states to improve organic waste and processing infrastructure, complemented by a further $47.2m to education the community on the benefits of processed organic waste. This is another step in the right direction and will hopefully urge business to consider their role in the circular economy by ensuring the products they produce are at least recyclable in the first instance. Further, this dovetails well with Business SA's recent push for the State Government to introduce a $50m Circular Economy Procurement Fund in its upcoming Budget.

The Federal Government has announced redirection of $1.3b from the Water Efficiency Program for projects to modernise irrigation infrastructure network though state-led off-farm water saving projects. What this will mean for SA communities downstream is yet to be seen.

The Government will also invest $100.1m to protect oceans and the coastal environment to stimulate jobs growth in the blue economy.

Importantly for South Australia, which is still dealing with a significant fruit fly outbreak, there is an additional $414.5m biosecurity boost.

> ENERGY & ENVIRONMENT

8. Superannuation & Workplace Relations

Superannuation:

Among several changes to Self-Managed Super Funds, contributions, and an increase to the releasable amount for the First Home Super Saver Scheme, $31.5m will be spent on the removal of the $450 per month superannuation threshold from 1 July 2022. The threshold sets the amount under which employees do not have to be paid the superannuation guarantee by their employer and legislation will need to be amended to enable this change. The removal of the threshold is intended to expand the superannuation guarantee, improve coverage, and increase retirement savings, particularly for women. However, Business SA has previously advocated in favour of maintaining the threshold due to the administrative costs on small business in particular.

There were no announced changes to the legislated rates of the superannuation guarantee which are to be phased in at .5% per annum to eventually reach 12% by 1 July 2025. While some commentators have suggested this lack of response represents a reversal of existing policy on the superannuation increases, Business SA notes the Government is yet to formally respond to the Retirement Income Review.

The Budget has reduced the age eligibility for the Flexible Super Downsizer Scheme from 65 or older to those 60 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.

The work test for those aged 67 to 74 has been abolished to enable self-funded retirees to make or receive non-concessional (including under the bring-forward rule) or salary sacrifice superannuation contributions without meeting the work test, subject to existing contribution caps.

Workplace Relations:

As was expected, workplace relations announcements in the Budget were limited.

The Government has flagged over $15m to implement its response to the recommendations of the Respect@Work: Sexual Harassment National Inquiry Report.

Business SA welcomed $10m to implement technology to assist employers to understand and comply with modern awards.

While not new funding per se, on 1 July 2021 the Fair Work Ombudsman will launch its Employer Advisory Service for small business (to which $12.9m was allocated last year).

The existing Employment Contracts Tool, designed to “help small business employers to make employment contracts that comply with workplace laws”, will also receive an extra $7.2m for ‘improvement, maintenance and review’.

> WORKPLACE RELATIONS

9. Regions

The Government will be providing $348m through its Supporting Regional Australia package to support Regional Australia's development and sustainability. This package includes:

- Round 6 of the Building Better Regions Fund: $256.5m over 4 years aimed at community investment in infrastructure and capacity in regional areas. This is an increase of $58.5m on round 5 of the fund.
- Further, $84.8m over 2 years to the Regional Connectivity Program to support the delivery of digital services and technologies in regional and remote Australia.
- Establishing a Rebuilding Connectivity Program costing $6.1m over 2 years from 2021/22 to assist community organisations and small business in regional Australia to recover from the impacts of COVID-19.
- $0.6 million in 2021-22 to undertake a scoping study into establishing Australian Public Service Hubs in regional Australia.
- Support to undertake an independent study to identify the regulatory barriers to business relocation into regional Australia. Funding not provided due to commercial sensitivities.

Further, the Government has provided $80.9m over 5 years in their Guaranteeing Medicare – strengthening the rural workforce initiative. This measure aims to deliver primary care and the health workforce in rural and remote Australia. This measure most notably includes:

- $65.8m to increase the Rural Bulk Billing Incentive; and
- $9.6m to expand the Allied Health Rural Generalist Pathway.

In Business SA's Regional Voice 2020 report, businesses indicated investment in social infrastructure was their second highest priority for Government Support.

> REGIONS

FEDERAL BUDGET

10. Construction Sector

Building on the 2020/21 Budget, the Government has announced $782.1m over 4 years to increase home ownership – a significant portion ($774.8m) directed at the HomeBuilder program with a required start date for projects now extended from 6 to 18 months. In effect, this means a start time of between 6 and 18 months for any contract entered into between 4 June 2020 and 31 March 2021 inclusive.

The competitive housing market has been addressed further in the Budget with a new Family Home Guarantee to help single parent households to purchase a home with only 2 per cent deposit. Further, an extra 10,000 places in the New Home Guarantee scheme will help first home buyers purchase a property with only a 5 per cent deposit.

> CONSTRUCTION

11. Innovation & Technology

Business SA has advocated for some time for State Government to ensure its payment terms and processes are conducive to meeting the cash flow needs of business – and has recently called for the reduction of payments to business suppliers from 30 to 20 days. The Federal Government's move to put allocate $15.3m for e-invoicing by all levels of government, and business, is welcomed. The Federal Budget has also included $12.7m to expand the Australian Small Business Advisory Service Digital Solutions program to capture up to 17,000 small businesses.

The Government has also announced $1.2b over 6 years for the Digital Economy Strategy – set to assist business across all sectors to be more competitive in the global market – including:

- $53.8m to create a National Artificial Intelligence (AI) Centre and 4 AI and Digital Capability Centres to support SME to adopt AI technology, and
- $33.7m in grants for business to work with Government to develop AI 'solutions to solve national challenges'.

In addition, related innovation Budget measures include:

- $13.3m spending for the Adelaide-based Australian Space Agency,
- $54.2m Global Science and Technology Diplomacy Fund (through consolidation of existing science funding),
- $84.8m Regional Connectivity Program for digital services and technology in regional and remote Australia, and
- $18.8m Digital Games Tax Offset providing a 30 per cent refundable tax offset for qualifying Australian digital games expenditure.

INNOVATION & TECHNOLOGY

FEDERAL BUDGET

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