



## Federal Budget 2020-2021

**On Tuesday 6 October, Federal Treasurer Josh Frydenberg unveiled Australia's Federal Budget 2020-21. It contains the next phase of measures to support the economy through the coronavirus pandemic and in the recovery.**

Here our Global Economic and Markets Research team outline what the Federal Budget might mean for you. The Federal Budget for the year ending 30 June 2021 (2020/21) detailed a budget deficit of \$A213.7 billion (an estimated 11% of Gross Domestic Product – GDP), the largest since the end of WWII.

The fiscal policy support being provided to the Australian economy is a vital part of the path to recovery. The support has been enhanced in the Budget through a combination of income support programs, health-related spending, income tax cuts, employment support programs, infrastructure spending and a focus on regional spending.

**Tax relief for households:** The stage 2 income tax cuts will be brought forward to 2020/21 and the low and middle tax offset has been extended for another year (estimated cost \$A17 billion in 2020/21). These cuts were originally scheduled to begin on 1 July 2022, but while the financial year is already underway these tax changes will be backdated to 1 July 2020. The stage 2 income tax cuts see the 32.5% tax rate kick in at \$A45,001 rather than \$A37,001, and the 37% tax rate begin at \$A120,001 instead of \$A90,001.

**Tax relief for businesses:** To support new business investment and increase business cash flow, the Budget has introduced the temporary full expensing of depreciable assets for businesses with turnover below \$A5 billion – with no limit on the value of the assets (estimated to reduce business tax by \$A26.7 billion over the next four years), estimated 11% of Gross Domestic Product – GDP), the largest since the end of WWII. A temporary loss carry-back initiative allows companies with turnover up to \$5 billion to offset losses against previous profits on which tax has been paid to generate a refund. Losses incurred in 2021/22 can be carried back against profits made in or after 2018/19 (estimated cost \$A4.9 billion).

**JobKeeper:** The JobKeeper payment has been extended for another six months until 28 March 2021 (estimated cost \$A15.6 billion in 2020/21).

**Business and wage incentives** to hire young people (aged 16-35), apprentices and trainees. The JobMaker Hiring Credit is estimated to cost \$A4 billion, with the bulk of the cost expected to be incurred in 2021/22, while the expansion of the Boosting Apprenticeships Wage Subsidy costs \$A1.2 billion.

**Increased infrastructure spending:** Over the next two years an additional \$A6.7 billion of infrastructure spending will be provided to the states and territories, plus an additional \$A3 billion to existing Road Safety and Local Roads programs.

**Health and Aged Care:** \$1.7 billion to secure access to over 84.8 million doses of potential coronavirus vaccine candidates. An additional \$2 billion in funding for ageing and aged care.

Hear from the Global Economic and Markets Research team, including Chief Economist Stephen Halmarick, as they unpack what the Federal Budget 2020-2021 means for individuals, businesses & Australia. Simply click the microphone below.



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