

2020 federal budget



what it means
for employers.

an economic recovery plan.

Treasurer Josh Frydenberg handed down Australia's 2020 Federal Budget on 6 October, where he outlined the government's Economic Recovery plan to save jobs, rebuild our economy and secure our future.

From small to large businesses, employees to job seekers, the 2020 Federal Budget will affect all Australians. In this 2020 Federal Budget report, Randstad Australia has broken down key pieces of information and exactly what it means for you.



2020 federal budget report summary – the key numbers.

Treasurer Josh Frydenberg handed down Australia's 2020 Federal Budget on 6th October in what is considered the 'most important' and largest Federal Budget since WWII.

The expense of supporting more than five million Australians through the COVID-19 pandemic has left the budget with its largest deficit on record and projected government debt of nearly \$1 trillion within the next four years.

The Budget revealed a huge \$213.7 billion deficit, falling to \$112 billion next financial year before falling further to \$66.9 billion by 2023-24. By comparison, last year's Budget recorded an \$85.3 billion shortfall.

Net debt will increase to \$703 billion, or 36% of GDP this year, and will peak at \$966 billion, or 44% of GDP in June 2024.

The combined deficits due to the Coronavirus recession and the government's actions to grow the economy are forecast to amount to a total of \$565.8 billion.

"This is a heavy burden, but a necessary one to responsibly deal with the greatest challenge of our time," Frydenberg said in his 2020-21 Budget speech.

By comparison, Australia's net debt as a share of the economy will peak at half of that in the United Kingdom, around a third of that in the United States and around a quarter of that in Japan today.

Australia's economy contracted by 7% in the June quarter. By comparison, there were falls of around 12% in New Zealand, 14% in France, and around 20% in the United Kingdom.

But the Morrison government has an economic recovery plan to steer Australia through the COVID-19 crisis and build for the future. This plan is designed to create jobs and stimulate the economy.

federal budget 2020: key figures you need to know.



Australia's 2020 Budget deficit has reached a record \$213.7 billion



Net debt will peak at nearly \$1 trillion in 2024



The Coronavirus recession and the government's actions to grow the economy is forecast to cost us \$565.8 billion



Australia's economy contracted by 7% in the June quarter



creating
jobs.



investing in young australians and incentivising businesses.

As Frydenberg explained, the 2020 Budget is all about jobs, jobs jobs. There is no economic or budget recovery without a jobs recovery.

In order to aid a drive for job growth, the government unveiled its JobMaker Hiring Credit scheme and also a new JobTrainer fund, which are designed to move Australians off the current JobSeeker program. The two new schemes are expected to incentivise businesses and in turn, accelerate growth in employment during Australia's economic recovery.

incentivising businesses with the jobmaker hiring credit

Starting immediately the government has implemented a new JobMaker hiring credit to incentivise businesses to hire young Australians by paying them up to \$200 per week for each new hire.

The move is expected to create around 450,000 jobs for young people. According to ABS statistics, youth unemployment currently sits at 14.3% as of August 2020, more than double the headline unemployment rate.

The JobMaker hiring credit will be payable for up to twelve months and immediately available to employers who hire those on JobSeeker aged 16-35. All businesses, other than the major banks, will be eligible.

The Hiring Credit scheme will work like JobKeeper, giving employers cash for every eligible young person they hire. For each eligible employee, working at least 20 hours per week, employers will receive \$200 per week for those aged under 30 and \$100 per week for those aged 30-35.

To claim the JobMaker Hiring Credit, employers need to report their employees' payroll information to the Australian Taxation Office through Single Touch Payroll.

upskilling and reskilling australians with a new jobtrainer fund

The 2020 Budget has established a \$1 billion JobTrainer fund to upskill and reskill Australians. The fund is projected to create up to 340,000 free or low-cost training places for school leavers and job seekers.

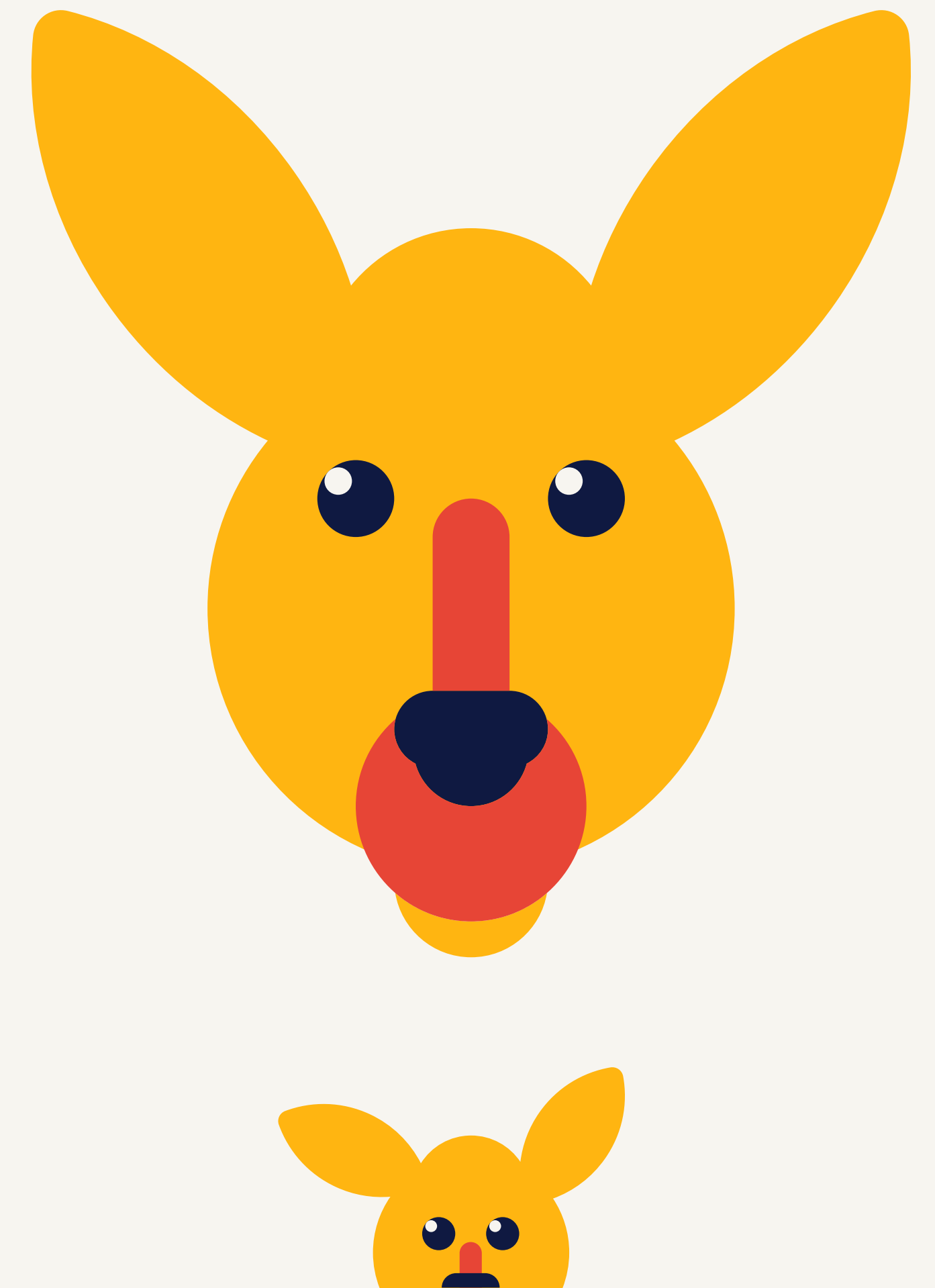
The government has also committed \$2.8 billion to protect 180,000 apprenticeships and trainees.

An additional \$1.2 billion has also been committed to creating 100,000 new apprenticeships and traineeships, with a 50% wage subsidy for businesses who employ them.

In this Budget, to help Australians get a job the government is also funding 50,000 new higher education short courses in agriculture, health, IT, science and teaching, 12,000 new Commonwealth supported places for higher education in 2021 and 2,000 indigenous students through the Clontarf Foundation to complete Year 12 and pursue further education or find employment.

The new JobTrainer incentive and substantial investment into education is a huge win for the higher education sector at a time when their international student numbers have declined due to closed borders and the global pandemic.

The new incentives are also beneficial to businesses given it could mean it is more cost-effective for businesses to fill their workforces with trainees, apprentices and young Australians between 16-35 years old.



investing in young australians: key figures you need to know.



New Hiring Credit scheme will see businesses paid up to \$200 per week for each newly eligible employee



Businesses to get 50% wage subsidy when hiring apprentices and trainees under new JobTrainer fund

b

budget spotlight on our infrastructure and technology sectors.

The 2020 Federal Budget focus on job creation shines a spotlight on two key sectors for growth. With investment already earmarked for the infrastructure, construction and technology sectors, the new boost in spending will help drive employment and create a stronger future for our economy.

more infrastructure spending means more jobs

The government has announced an additional \$14 billion expansion of its ongoing 10-year infrastructure pipeline in hope to create 40,000 more jobs. The “new and accelerated” infrastructure project will fund major projects across each state.

On a smaller scale, the budget also announced an extra \$3 billion would go towards ‘shovel-ready’ projects – a \$2 billion investment in road safety upgrades and another \$1 billion to support local councils’ immediate upgrades of local roads, footpaths and street lighting.

The infrastructure cash splash – designed to simultaneously create post-COVID jobs and improve access to regional areas – will see \$3.8 billion spent across 39 projects on Australia’s eastern seaboard.

Of that, \$2.7 billion will be spent on projects in NSW while \$1.1 billion will be spent on transport infrastructure projects in Victoria.

cybersecurity investment means more jobs for the tech industry

Additional funding in this Budget will see a total of \$1.7 billion invested in Australia’s cybersecurity plan to keep Australians safe and secure online.

It includes a \$470 million investment to expand the cybersecurity workforce, with the creation of over 500 new Australian jobs. This is an excellent boost for businesses and workers in the technology industry.

spotlight on jobs: key figures you need to know.



\$14 billion and 40,000 new jobs for the infrastructure sector



Extra \$1 billion in low-cost finance to support the construction



\$470 million investment in new cybersecurity jobs



tax
bracket.



tax bracket changes and how it affects wages.

The government's 2020 budget will hand out billions in fast-tracked income tax cuts in an effort to pull Australia's economy out of its deepest recession since 1930.

The Coalition locked in three stages of income tax cuts, the first round last year gave average income earners around \$1,080 in tax relief. Stage two, which was originally scheduled for 2022, has been brought forward to this year.

Lower and middle-income earners will this year receive tax relief of up to \$2,745 for singles, and up to \$5,490 for dual-income families compared with 2017-18.

The move has cut taxes for all workers earning over \$37,000 a year and also raised the threshold on the lowest tax rate by lifting the 19% threshold from \$37,000 to \$45,000, and lifting the 32.5% threshold from \$90,000 to \$120,000.

The median yearly wage in Australia (which includes both full-time, part-time and casual) is just under \$68,000.

The changes are backdated to be effective from 1 July this year.

“Australians will have more of their own money to spend on what matters to them, generating billions of dollars of economic activity and creating 50,000 new jobs. It will help local businesses to keep their doors open and hire more staff,” treasurer Josh Frydenberg.

2020 budget tax cuts – how much will workers get?

1

If you earn up to \$40,000, you'll save up to \$1,060

2

If you earn \$40,000 to \$80,000, you'll save up to \$2,160

3

If you earn \$80,000 to \$100,000, you'll save up to \$2,445

4

If you earn \$100,000 to \$200,000, you'll save up to \$2,745

5

If you earn \$120,000 to \$200,000, you'll save up to \$2,565

d

rate	previous tax bracket thresholds (1 July 2018)	new fast-tracked tax bracket thresholds (1 July 2020)
0	\$0-\$18,200	0-18,200
19%	\$18,201-\$37,000	\$18,201-\$45,000
32.5%	\$37,001-\$90,000	\$45,001- \$120,000
37%	\$90,001-\$180,000	\$120,001-\$180,000
45%	\$180,001+	\$180,001+



**business
incentives.**

kickstarting investment – businesses can now deduct their losses earlier.

In more incentive for businesses, effective immediately until June 2022, the government has introduced a temporary tax incentive for 3.5 million businesses for around \$200 billion worth of investment.

This means almost all Australian businesses, with a turnover of up to \$5 billion, can nearly immediately write off the full value of eligible assets purchased for their business in the year they're installed as well as improvements to existing eligible assets.

It means losses up to the 2021-22 financial year can be carried back against profits made in or after 2018-19.

The new measure represents the largest set of investment incentives any Australian government has ever provided.

The combination of the immediate expensing and loss carry-back measures is expected to create an additional 50,000 jobs across the country.

“This will boost the order books of the nation. Small businesses will buy, sell, deliver, install, and service these purchases. Every sector of our economy, every corner of our country, will benefit. This is how we will get Australians back to work,” Frydenberg said.

tax incentive for businesses: key figures you need to know.



\$200 billion investment
for 3.5 million businesses



99% of businesses can
write off full value assets



Losses can be carried
back against profits
made in or after 2018-19



The new measure will
create an additional
50,000 jobs





superannuation
changes.

auto super transfer takes the pressure off HR.

HR teams and businesses would be interested in important changes to superannuation in this year's budget.

From 1 July next year, superannuation accounts won't automatically be created for Australian workers when they move employers. Instead, workers' superannuation accounts will follow them when they change jobs.

The change is directed at preventing workers from paying unnecessary fees – Australians pay \$30 billion a year in superannuation fees, more than the total cost of household gas and power bills. Of that, \$450 million is for unnecessary fees due to six million multiple accounts.

Under the new plan, super funds will have to meet an annual performance test and poor performing funds will 'have nowhere to hide' and will have to notify members.

In addition, an online comparison tool (YourSuper) will be set up to help workers choose an account, giving transparent and trusted information about fees and returns.

The government says the package will save workers \$17.9 billion over a decade.

The change will come as good news to HR teams who previously have had to manage the paperwork involved when new hires join a company.



super changes: key figures you need to know.



Workers superannuation will follow them when they change jobs, won't automatically make a new one



Focused at tackling unnecessary fees due to duplication



New YourSuper comparison tool for super funds



The new package will save workers \$17.9 billion over a decade



parental
leave boost.



parental leave boost for new parents.

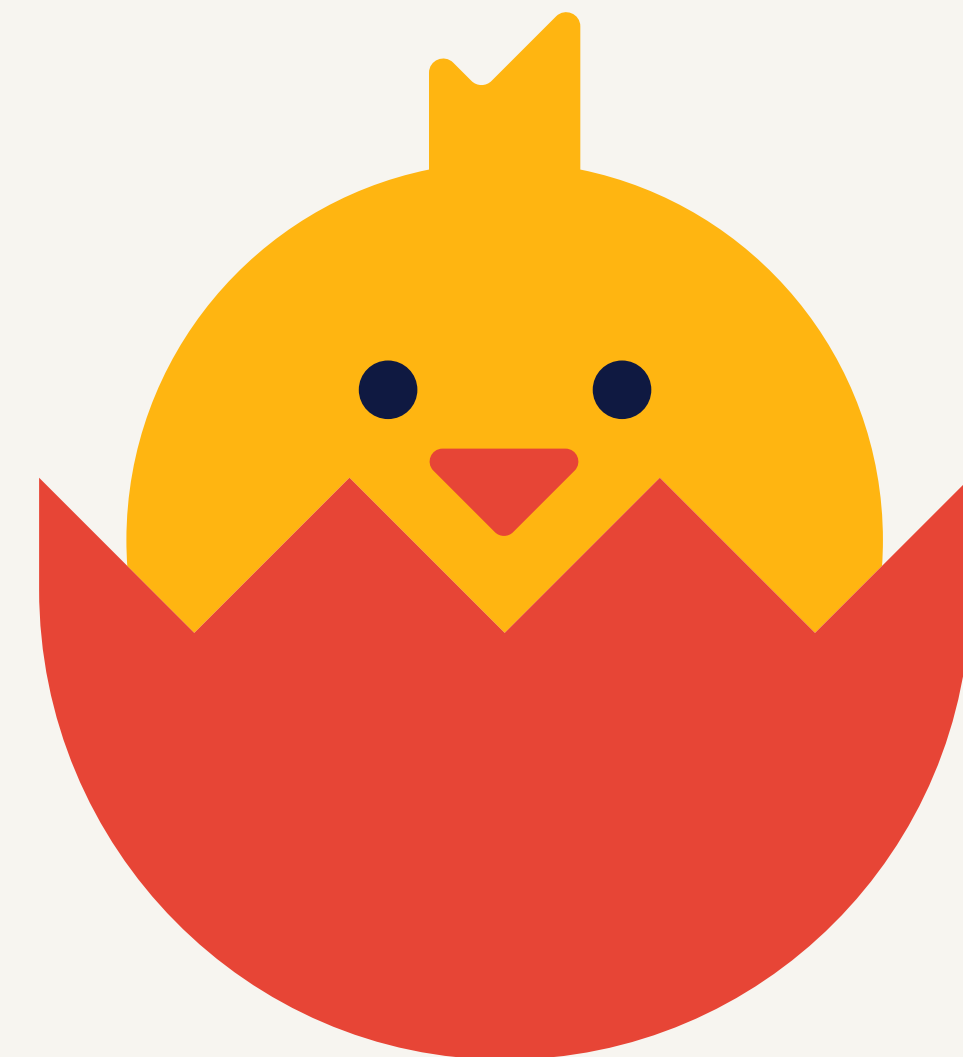
In what would most likely come as a welcome relief to most, thousands of new and expectant parents are expected to qualify for paid parental leave after the budget announced a new temporary paid parental leave scheme.

Changes to eligibility requirements, which is in response to widespread job losses thanks to the global pandemic which particularly hit women, are expected to help 9,000 mothers and 3,500 fathers and partners.

COVID-19 job losses have meant many expectant workers have lost their jobs or had hours reduced and may not meet previous parental leave requirements. But new relaxed rules mean many workers still make the cut.

Instead of parents having to work 10 of the previous 13 months before birth or adoption to be eligible for payment, parents who have worked in 10 of the last 20 months still qualify for the payment – for a birth or adoption between 22 March 2020 and 31 March 2021.

The temporary scheme, which comes as a cost of \$90.3 million over three years, is a huge win for new and expectant parents in the workforce.



parental leave boosts: key figures you need to know.



Parental leave work eligibility extended to 10 in 20 months, down from 10 in 13 months



The changes will help 9,000 mothers and 3,500 fathers and partners



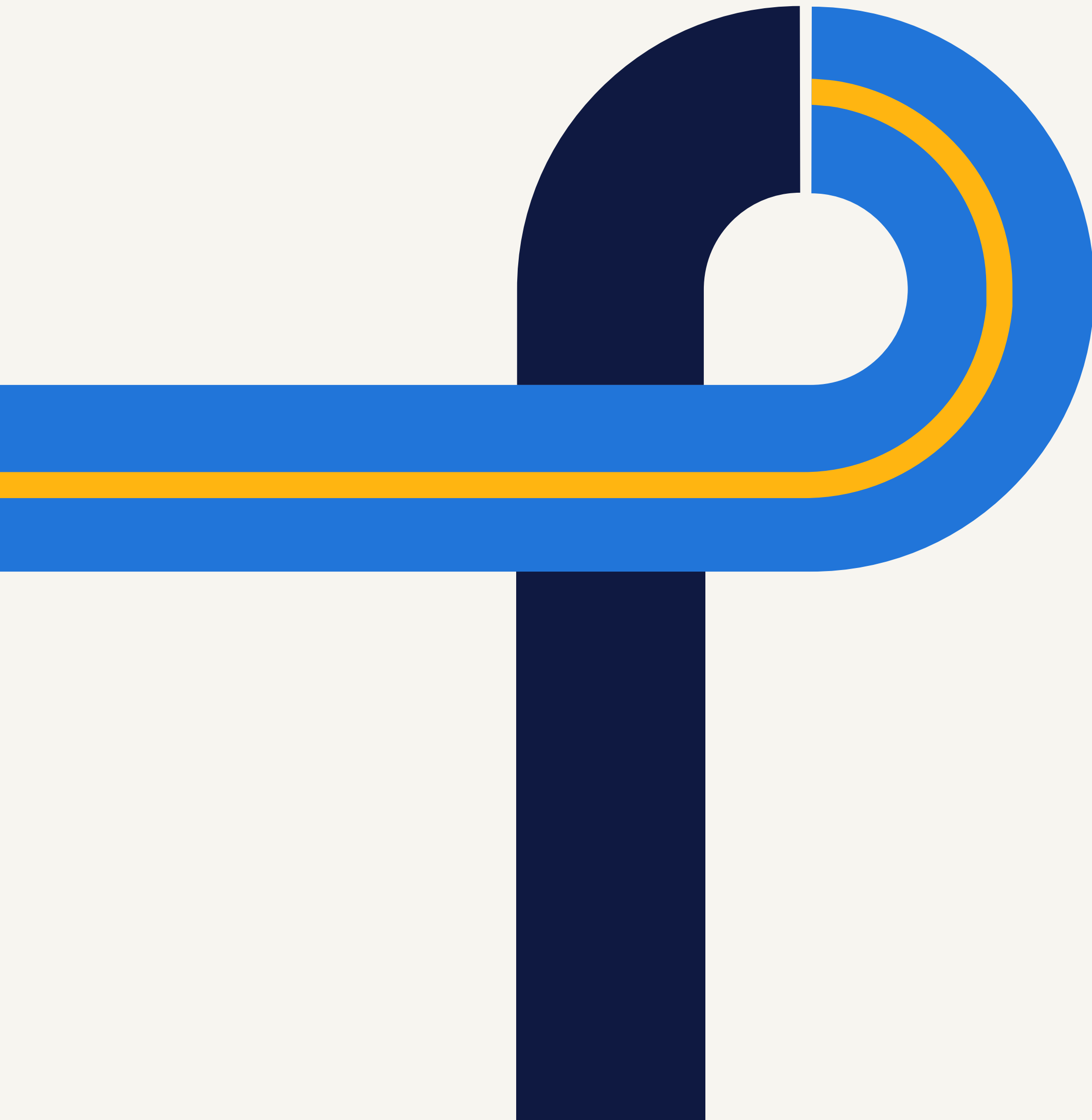
The total cost of the temporary scheme: \$90.3 million over three years

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the road
ahead.

a long road of recovery ahead.



2020 has been a strenuous year not just for Australia's economy but worldwide. The widespread economic impact of the Coronavirus outbreak continues to put our economy, organisations and employees under strain as we continue to try to emerge from the deepest recession in history.

But this Federal Budget does show a path for recovery, of hope for our economy and a plan to revitalise jobs and businesses. The new JobMaker hiring credit will support nearly half a million young Australians in work, record investment in skills and training will strengthen the workforce and tax incentives will unleash a wave of investment.

Businesses and workers are in a strong position to capitalise on the new measures laid out in the Budget and drive themselves to become a larger, stronger and more resilient version of their pre-pandemic selves.

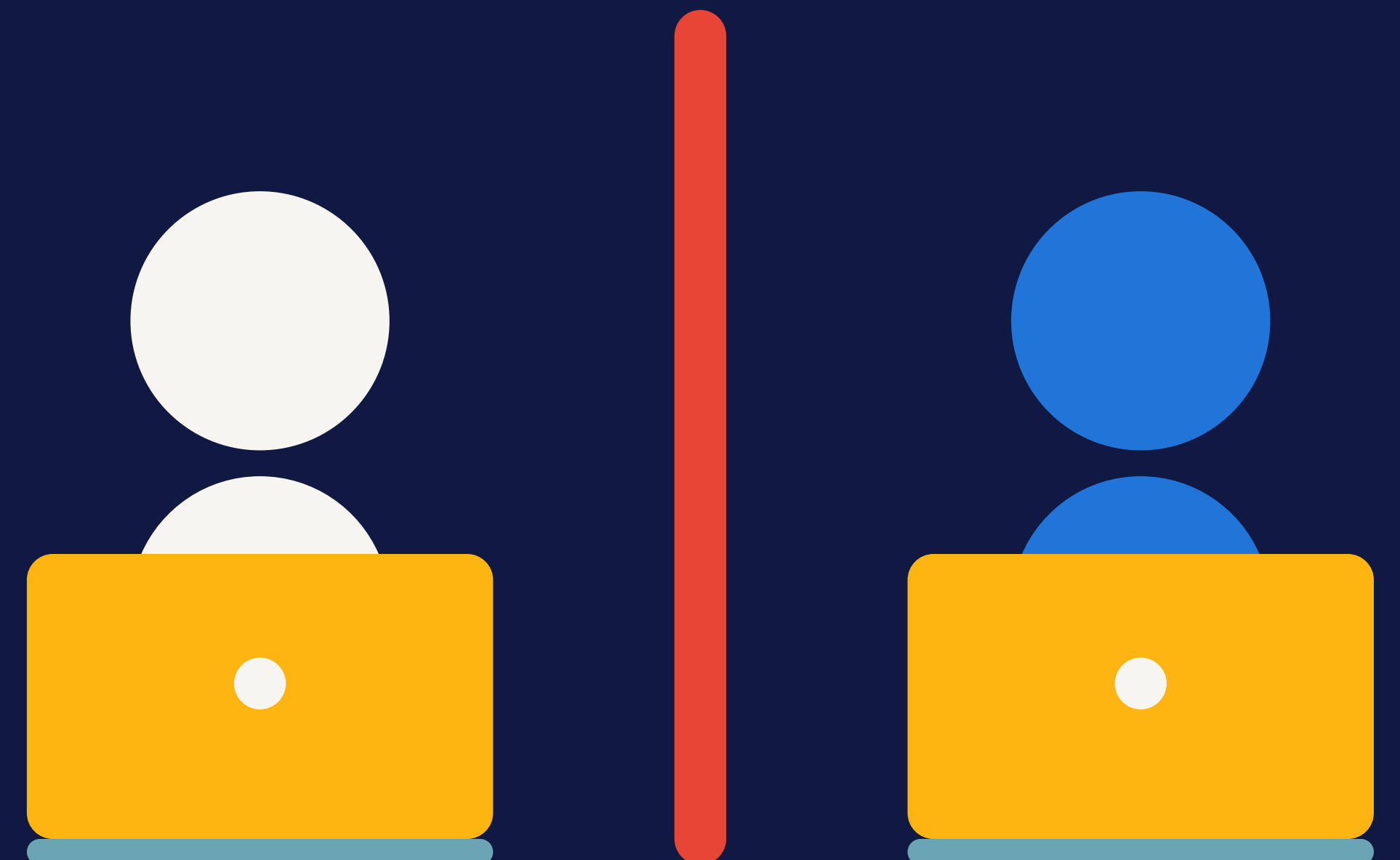
discover our solutions.

Our workforce and sector experts are working with employers and employees to help them adapt to new ways of working in order to navigate through the uncertainties ahead.

To find out more about the impact of COVID-19 and responding to the change go to the accelerating business recovery section of our website.

Discover our Virtual Solutions with cost minimised solutions to help companies and employees get back to work.

If you have any queries about developments outlined in this Federal Budget summary report or how they affect your organisation, please feel free to get in touch.



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