



# Budget 2020 - it's all about jobs!

## Key Takeaways

- ▶ \$4 billion job hiring credit
- ▶ Apprentice wage subsidy
- ▶ Temporary full asset write-off
- ▶ Carry-back of company losses
- ▶ FBT relief

It was the unmistakable message from Treasurer Josh Frydenberg in this historic Budget – spend money now to get business hiring, and worry about the cost later.

Or, as he put it, 'fighting back' in the face of the worst economic crisis in almost a century.

The centrepiece is the new \$4 billion **JobMaker Hiring Credit** which will provide businesses a financial incentive to take on unemployed people aged between 16 and 35, with the aim of creating 450,000 positions.

Commencing 7 October 2020, the Hiring Credit will be paid quarterly in arrears at the rate of \$200 a week for those aged between 16-29, and \$100 a week for those aged between 30-35. Eligible employees are required to work a minimum of 20 hours a week.

New jobs created until 6 October 2021 will attract the payment for up to 12 months from the date the new position is created. Employers will need to demonstrate an increase in overall employee headcount and payroll for each new position.

Ahead of the Budget, the government announced the \$1.2 billion **Boosting Apprentices Wage Subsidy** which will provide a 50% wage subsidy for businesses that take on new or recommencing apprentices or trainees.

The scheme is open to employers, including group training organisations, until 30 September 2021, and worth up to \$7,000 a quarter. It will be capped at 100,000 apprentices and trainees.

The previously announced \$1 billion **JobTrainer Fund** – a joint Commonwealth, state and territory program – will support up to 340,700 additional free or low-cost training places at TAFEs and private RTOs with a mix accredited qualifications and short courses, including part qualifications and skillsets.

The states and territories will have flexibility in the mix of courses to suit local needs.



## Keeping the economy moving

The job creation and training initiatives are specifically aimed at propping up economic activity and sustaining employment until the economic recovery resumes.

The Budget papers indicate that the total economic support measures will result in economic activity being 4.5% higher by 2021-22.

Peak unemployment is now estimated at 8% in the coming December quarter. Without economic support, the government says the unemployment rate would have risen, and remained above 12% until 2021-22.

Reinforcing this picture, Tuesday's **Reserve Bank monetary policy statement** said that while the June quarter had shrunk by a massive 7%, economic recovery was "now under way in most of Australia", and labour market conditions have improved over the past few months.

The improving trend is also evident in the latest **ANZ Australian Job Ads** which rose a strong 7.8% in September following an upwardly-revised 2.6% in August, notwithstanding job ads down 21% since February.

Saving the economy and hundreds of thousands of jobs comes with a staggering price tag – a total of \$507 billion has so far been spent on economic support.

The budget deficit will hit \$213.7 billion this year, falling to \$66.9 billion by 2023-24.

Net debt will increase to \$703 billion or 36% of GDP this year before peaking at 44% in 2024 – staggering, but still around half the rate in the UK, a third of that in the United States and about a quarter of that in Japan.

Australia's GDP is forecast to fall by 3.75% this calendar year, but bounce back by 4.25% next calendar year. The unemployment rate is forecast to fall to 6.5% in the June quarter 2022.

The financial cost is astronomical but the alternative was beyond imagining.

## Preparing for a new era of employment services

The task of getting people into work in a better, more streamlined way also falls to the **New Employment Service Model**, which has been funded and will commence from July 2022.

This will be a huge technological step that will see job seekers able to manage their job searches online, without the need for face-to-face engagement with job service providers. The Budget provided:

- ▶ \$296 million over four years for the digital system to support the New Employment Service Model.
- ▶ \$183 million to expand the current **Online Employment Service**.
- ▶ \$22 million to connect more young people to specialist employment services, the **Transition to Work** service from 1 January 2021.

A number of existing labour market programs will get funding, including \$62.8 million over two years to establish the **Local Jobs Program** to coordinate employment and training solutions in 25 regions across Australia.

The **Youth Jobs PaTH** (Prepare-Trial-Hire) Internship program will become demand-driven, replacing the current capped funding.

## Businesses urged to spend big, now

For employers, more generally, one of the biggest benefits will come from the **temporary deductibility of depreciable assets**.

Up until 30 June 2022, **businesses with turnover up to \$5 billion** will be able to **deduct the full cost of eligible depreciable assets** of any value in the year they are first used or installed. The cost of improvements made during this period to existing depreciable assets can also be fully deducted.

In addition, a **temporary loss carry-back** will allow companies with turnover up to \$5 billion to offset tax losses against previous profits on which tax has been paid to generate a refund.

Treasury estimates that these two measures – the temporary full expensing and the temporary loss carry-back – will create around 50,000 jobs and boost GDP by about \$12 billion over the next two years.

There's some relief from **Fringe Benefits Tax**, with the government exempting employer-provided retraining activities, and also reducing red tape by allowing employers to use existing corporate records, rather than prescribed records, to complete their FBT returns.

The personal toll of dealing with the pandemic and the economic fallout will see \$4.3 million for a new mental health program for small business owners – **the NewAccess for Small Business** – to be delivered by Beyond Blue early next year.

There will be \$19 million to encourage **small businesses to digitise**, through the provision of expert, tailored advice.

In higher education, the Budget is funding **50,000 new short courses and 12,000 new Commonwealth supported places**.

For employers of apprentices, there will be a new **Apprenticeships Data Management System** to replace the current TYMS (Training and Youth Internet Management System) at a cost of \$91.7 million.

The fledgling **National Carers Institute** will get a further \$29.6 million to support its role as the key driver of careers information and guidance.

The Commonwealth **Department of Education, Skills and Employment** has been allocated an extra \$76 million for a variety of projects, including **Enhanced Support for School Leavers**. This is a new career support service that will offer school leavers a 45-minute personalised career guidance session with a qualified career practitioner.

**If you wish to find out more, please contact your Account Manager on 13 STAFF (13 78 23) or email [programmedskilledworkforce@programmed.com.au](mailto:programmedskilledworkforce@programmed.com.au)**

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