



The Federal Government's economic and fiscal outlook

Latest Government Announcements
as of 23 July 2020

July 2020

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Introduction

A stark economic picture, but a pragmatic and proportionate policy response.

The federal government's July economic and fiscal outlook ("July EFO") documents show just how deeply the Australian economy has been affected by the COVID-19 public health crisis over the last six months. Additional outbreaks over the last month have contributed further to the uncertain outlook for the coming months.

The Australian economy is expected to decline overall by 3.75 per cent in calendar 2020. Reduced receipts and commencement of a program of \$289 billion in fiscal and balance sheet support contributed to the federal budget for the 2019-20 financial year being in deficit to the tune of \$86 billion, compared to a forecast in last December's mid-year economic and fiscal outlook ("MYEFO") papers of a surplus of \$5 billion. Treasury forecasts that the deficit for 2020-21 will be a much larger \$185 billion.

Nonetheless, federal government net debt is not estimated to grow to beyond 40 per cent of gross domestic product (GDP) by 2020-21, and currently costs around 0.8 per cent of GDP to service each year. So there would appear to be reasonable scope for government fiscal support for the economy to continue.

While there were no new specific measures announced alongside the July EFO that would directly stimulate business investment, the extended JobKeeper wage subsidy will reduce the cash flow concerns of eligible businesses beyond the end of September. The consumer demand-side impact of the extensions to the timeframes for the JobKeeper payment and the JobSeeker supplement also promises to be very welcome.

There is a fine balance between the benefits of continuing with a measure of additional JobKeeper and JobSeeker support, and the risks of businesses and individuals becoming over-dependent. We think the government's announcements strike a reasonable balance here.



David Linke
National Managing Partner,
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David Linke

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Grant Wardell-Johnson

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Many would have liked the July EFO to include the announcement of a bring-forward of some or all of the personal income tax cuts legislated for 2022-23 and 2024-25. We may yet see this occur in the 2020-21 budget on 6 October.

There is a sense that jobs more often held by women may be at greater risk over the duration of the COVID-19 situation, however long that may be.

We look forward to the October budget and the possibility of further measures that will make it easier for people to take work when it is available. These could include support for the availability and affordability of child care services, which in our current social environment would particularly benefit women.

Overall the federal government's economic support measures over the last five months appear to have struck a reasonable balance between simplicity and speed of implementation on the one hand, and on the other, directing the support where it is most needed.



Grant Wardell-Johnson
Lead Tax Partner,
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Economic overview and analysis

The warlike footing associated with our fight against the coronavirus unsurprisingly brings with it wartime levels of debt and deficit.

The Treasurer has announced today the prospect of a Commonwealth budget deficit of \$270.3 billion across the 2019-20 and 2020-21 financial years. However, in a departure from convention, no estimates have been provided for the two out years in the forward estimates period, being 2021-22 and 2022-23, due to the significant uncertainty caused by the current health crisis.

The economic forecasts contained in the Economic and Fiscal Update (the Update) show Treasury believes the worst of the economic consequences of the pandemic will have been felt in the June quarter 2020, with real GDP expected to be about \$445 billion, a decline of 7 per cent over the March quarter 2020.

Real GDP is forecast to fall a further -2.5 per cent during 2020-21, with the economy only expecting to record positive growth in the second half of calendar year 2021. The Treasury forecasts reveal that the federal government believes the national economy will still be smaller (in real terms) by the end of calendar year 2021 than it was at the end of calendar year 2019.

One of the key influences driving economic activity down is a significant fall-away in non-mining business investment activity. Treasury expects this will be down -9 per cent and -19.5 per cent over each year respectively in the forecast period. These declines are occurring even with the availability of funding through the the Coronavirus SME Guarantee Scheme and low interest rates enabled by the RBA's Term Funding Facility.

KPMG Australia's macro-economic modelling of outcomes associated with different health scenarios generates real GDP estimates that are slightly different to Treasury's; a slightly bigger downswing in 2019-20 and a slightly bigger upswing in 2020-21. However, the net impact of this economic profile is only marginally different to that proposed by Treasury, with KPMG too suggesting the domestic economy is unlikely to recover back to levels consistent with the end of calendar year 2019 until mid-to-end 2021.



Brendan Rynne
Chief Economist



Michael Malakellis
Principal Director,
KPMG Economics & Tax Centre

Unemployment is anticipated to peak at around 9.25 per cent in the December quarter 2020; a level of unemployment last seen in Australia in 1994. KPMG anticipates the labour market to recover slightly faster than the Treasury forecasts, with our estimates suggesting unemployment returning to sub-7 per cent levels by late 2021.

Total tax receipts are anticipated to fall by about \$16.6 billion (to \$432.0 billion) in 2019-20; with a further decline of \$16.1 billion (to \$415.9 billion) in 2020-21. If these tax receipts are achieved then Australia's federal tax-to-GDP ratio would reduce from 23.0 per cent in 2018-19, to 21.7 per cent in 2019-20 and 21.9 per cent in 2020-21.

Company income tax receipts are forecast to be hardest hit of all the different tax heads, declining 9 per cent and 13 per cent during 2019-20 and 2020-21 respectively. Treasury has also acknowledged the uncertainty associated with carry forward losses on company tax receipts; meaning it is too difficult to predict how many businesses will fold as a consequence of this health pandemic, and therefore be unable to utilise any carry forward losses to offset future taxable incomes.

It would seem the COVID-19 wage subsidy (JobKeeper) and income support mechanisms (JobSeeker) introduced by the government have helped stabilise personal incomes. This can be seen from the fact household consumption is forecast to decline only marginally, and also by only minor declines in personal income tax receipts of 1 per cent and 5 per cent over 2019-20 and 2020-21 respectively.

Key insights

- Australia is experiencing once-in-a-generation contraction to its economy in response to the government initiated health plan associated with the coronavirus pandemic. Substantially increased government spending on health and welfare, combined with lower tax receipts, have resulted in a budget deficit of nearly \$300 billion for 2019-20 and 2020-21; which as a proportion of GDP is at levels not seen since the end of World War II.



Stepping back from the insolvency cliff

When Australia first went into lockdown following the rapid escalation of COVID-19 infections in March, business owners, directors and managers faced significant uncertainty and confusion as they watched, in many cases, their businesses enter a state of Government-mandated paralysis. Our national focus was appropriately on the health consequences of COVID-19, with early policy settings targeted towards 'flattening the curve'.

The widespread closure of businesses presented economic and commercial challenges beyond anything we have encountered in our lifetimes.

The Federal Government soon responded with a suite of economic initiatives focused on the survival of affected businesses. These were designed to keep small to medium enterprises (SMEs) operating and employing workers during the crisis and help cushion businesses, their employees and contractors from the worst economic impacts of COVID-19.

In announcing these measures the Federal Government signalled the support mechanisms as temporary, scalable and flexible with a view to flattening the curve and providing a 'bridge to the other side'.

Key measures comprised:

- JobKeeper Payments of \$1,500 per fortnight per employee for eligible businesses whose turnover had fallen significantly.
- Six month temporary increases in the threshold at which creditors can issue a statutory demand to a company and a bankruptcy notice to a debtor from \$2,000 to \$20,000 and temporary increases in the time for a company to respond to a statutory demand and a debtor to respond to a bankruptcy notice from 21 days to six months.
- Six-month temporary relief for directors from any personal liability for trading while insolvent.



James Stewart

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Matthew Woods

National Co-Leader,
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These measures operated in conjunction with other support initiatives of the Federal Government, regulators, banks, ATO, landlords and State Governments.

With ongoing serious impacts on lives and livelihoods still being felt and the recent worsening of the spread of COVID-19 in Victoria and NSW, on 21 July the Federal Government announced an extension of JobKeeper until 28 March 2021, subject to various changes to take effect from 28 September 2020 ('JobKeeper 2.0').

At this stage the Federal Government has not announced an extension of the increased statutory demand and bankruptcy notice thresholds nor the six months time period to respond.

Further the Federal Government has not announced an extension of relief for directors from any personal liability for trading while insolvent.

Should these complementary measures be also extended, the Government will be continuing its efforts to minimise widespread insolvencies by enabling directors to maintain their focus on managing companies through the continued COVID-19 crisis.

The JobKeeper 2.0 changes will likely increase the pressure on some businesses, who will know now that they will no longer qualify for JobKeeper when the existing regime ends in September.

These businesses have to now confront the effect on their cashflows from the reduction in government support after 27 September 2020, with the prospect that by 28 March 2021 all government support may be withdrawn.

These businesses must now actively address the impact of COVID-19, as all businesses will likely have to do come 28 March 2021.

Key insights

- The extensions to support are welcome news for businesses and their people where they continue to be truly affected by COVID-19.
- The extensions may push the burden of financial distress onto other stakeholders, which could lead to a change in trading terms when each stakeholder assesses counterparty credit risk.
- The Federal Government is signalling they have done their part in providing a 'bridge to the other side', but that their role was and is never to save all.



The JobKeeper review

The Government has announced it is extending the JobKeeper Payment until 28 March 2021, at a forecast cost to the budget of \$16 billion, and is targeting support to those employers who continue to be significantly impacted by COVID-19. It is expected that legislative instruments giving effect to these announcements will be gazetted later in the year.

The existing JobKeeper Payment will remain in place until 27 September 2020, as initially planned.

From 28 September 2020, the JobKeeper Payment will be targeted to employers that have been most significantly impacted. It will have two key differences from the version that it supersedes – a two-tiered payment structure, and a further requirement for the employer to demonstrate that its GST turnover has declined.

New tiered payment structure

From 28 September, JobKeeper payments will be paid as the following table sets out:

For eligible employees and business participants	Payment from 28 September to 3 January	Payment from 4 January to 28 March
Who worked an average of 20+ hours per week in February 2020	\$1,200 per fortnight	\$1,000 per fortnight
Other eligible employees and business participants	\$750 per fortnight	\$650 per fortnight

As employers will need to specify the rate they are claiming for each employee, it will be important between now and October for employers to check the accuracy of their February payroll data. Treasury has indicated that by October the ATO should provide further guidance in terms of how to treat employees who were not employed for the whole of February 2020, or who were on leave for all or part of that month.



Grant Wardell-Johnson

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Requirement to demonstrate ongoing decline in turnover from 28 September 2020

From this point, businesses who wish to claim a JobKeeper payment will need to meet additional criteria relating to their decline in turnover.

To qualify for the December quarter, the employer must demonstrate that its actual GST turnover in both the June 2020 and September 2020 quarters declined by the required amount compared with the corresponding period in 2019 (subject to the application of alternative decline in turnover tests that the Commissioner of Taxation may adapt from those alternative tests that currently apply).

To qualify for the March 2021 quarter, the employer will additionally need to demonstrate that its actual GST turnover for the December 2020 quarter has also declined by the required amount relative to that quarter in 2019.

To recap, the decline in turnover thresholds are:

- For employers with aggregated turnover exceeding \$1 billion: 50 per cent.
- For certain ACNC-registered charities: 15 per cent.
- All other employers: 30 per cent.

In anticipation that many employers are calculating their decline in GST turnover by reference to their business activity statement (BAS) disclosures, Treasury envisages that the ATO will allow extensions of time for the employer to meet the wage condition for fortnights ending in October and January. This will allow employers to assess whether they remain eligible for JobKeeper payments before paying staff who may have been stood down or on reduced hours.

Key insights

- Employers should assess now whether they have met the decline in turnover test for the June 2020 quarter. If they have not, then their JobKeeper eligibility will cease on 27 September. If they have met the test for the June quarter, then they will need to test again for the September quarter once this has ended.
- Employers should double-check their February 2020 payroll data, as this drives the level of JobKeeper payment from October.



Individuals

Extension of JobSeeker supplement

The JobSeeker Coronavirus Supplement will continue after its previously scheduled 24 September cessation, but at a reduced rate. From 25 September until 31 December 2020, the supplement will apply at a reduced rate of \$250 per fortnight (down from \$550).

In tandem, a recipient will be able to earn up to \$300 per fortnight (up from \$106) without this impacting the JobSeeker Payment the person receives. However, means testing (including asset testing) will be re-introduced.

These measures recognise that people with limited financial resources who remain unemployed, or under-employed, for longer periods, continue to require a higher level of government support.

JobKeeper '2.0'

Employees and the self-employed should check their own records for the hours worked in February 2020, as these are the key input to the tier of JobKeeper Payment that the person may be eligible to receive from October. Those who worked on average more than 20 hours per week could be eligible for the higher payment.



Ben Travers

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Hayley Lock

Partner,
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The self-employed in particular should take care to ensure that there are records available to support the hours worked in February 2020.

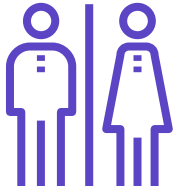
There will be a degree of uncertainty for some workers currently benefitting from JobKeeper, as the government's announcement currently means that an employer would not be able to be certain of its eligibility for JobKeeper 2.0 until some time in October.

Personal income tax

Many will have been keen to see the Federal Government announce the acceleration of the personal income tax cuts that parliament has already legislated for 2022-23 and 2024-25. The July EFO has stayed silent on this aspect, but it is possible that we will see more on this in the 2020-21 budget. The federal government will be weighing up the psychological lift and consumer-demand impact of this against the costs and perceptions surrounding further increasing government debt.

Key insights

- Individuals currently benefitting from JobKeeper Payments should re-assess their financial position based on the possibility of lower JobKeeper Payments from October, or their employer ceasing to be eligible.
- Workers should review their own records of hours worked in February 2020 in order to understand what tier of JobKeeper payment they may be eligible to receive from October.



Gender impacts

Before the COVID-19 pandemic the gender pay gap had narrowed to a record low and women's participation in the workforce was at its highest level. This welcome progress is at risk in a post-COVID-19 environment. It is critical for a fast and sustainable recovery and that the labour potential of the whole population is fully leveraged.

The impacts of COVID-19 are experienced differently depending on gender. The effects on women have been changing over the course of the pandemic. In the early stages, of the pandemic, the employment figures pointed to a 'pink recession' as the paid hours worked by women fell by more than 1.5 times that of men, with women cutting back their hours by 11.5 per cent compared to 7.5 per cent for men.

The June 2020 Labour Force data found that hours worked increased more for females (5.0 per cent) than males (3.3 per cent) over the month, however hours worked for females were still around 7.3 per cent below March, compared to 6.5 per cent for males. The loss of employment remains relatively balanced between genders, with around 4 per cent fewer male and female workers today compared to 12 months ago.

According to the Economic Update the employment-to-population ratio and the participation rate declined more significantly for women than for men in the June quarter. The significant fall in female participation moderated the rise in the measured unemployment rate for women.

JobKeeper 2.0

The JobKeeper review found that young people and women have been disproportionately affected by the current downturn. Compared with pre-Coronavirus employment females are slightly over-represented in JobKeeper coverage. The review found that 47.1 per cent of employees receiving JobKeeper were female, compared to 44.9 per cent in private sector employment.

JobKeeper 2.0 is a welcome measure to support women during the pandemic given they make up a greater share of employment in the sectors most heavily affected by virus containment measures.



Merriden Varrall

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Childcare

The Economic Update outlines the \$312 million cost of the Early Childhood Education and Care Relief Package which provided 'free childcare'. This measure is partially offset from CCS that would otherwise have been paid in a non-COVID-19 environment with regular child care attendance.

While families will continue to be supported through the pandemic by easing the Child Care Subsidy activity test requirements and ensuring childcare fees remain at their pre-COVID-19 levels, the government may need to consider its policy response for providers if families choose to keep their children at home while self-isolating or withdrawing their children altogether.

Early access to super

Data from the ATO in May indicated that men are withdrawing on average 40 per cent more in super than women, however the government has not yet completed a full distributional analysis of the impact on women's super. A concern would be if younger women were disproportionately accessing their entire super fund balance, as has been reported by some funds.

Domestic violence

The Economic Update outlines \$150 million in support for Australians at risk of domestic, family and sexual violence during the COVID-19 pandemic and further support to help protect victims of family violence in family law proceedings. This funding is welcome and supports the movement towards the fundamental right for women to feel safe in their homes and respected in their workplaces.

Other gender measures for recovery

The Prime Minister noted in an address on 15 June that the government needed to maintain a key focus on its women's economic security statement, which would get a refresh. While not included in today's Economic Update, we would welcome the refresh of this statement ahead of the October budget.

Key insights

- There is a real risk that the progress made in female participation may be eroded as high workforce disincentive rates and fewer work hours available make it unviable for women with caring responsibilities to increase their paid work hours.
- We encourage the government to monitor super withdrawals under the early access to super scheme and conduct a full distributional analysis to better understand any unintended consequences of the scheme.
- The government could continue to invest in gender-disaggregated data reporting, and in reviewing the paid parental scheme and the affordability of childcare as key elements to a strong and sustainable Australian economy.



Financial Services: Superannuation

Early Release from superannuation – extension until 31 December 2020

For individuals affected by the adverse economic effects of COVID-19, the Government has temporarily allowed eligible individuals to access their superannuation early and tax-free.

The Government is extending the application period for the measure from 24 September 2020 to 31 December 2020 to increase the scope for individuals who may still be financially impacted by COVID-19 to access early release in the coming months.

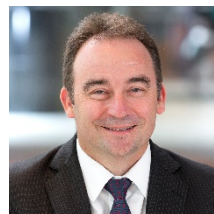
Eligible Australian and New Zealand citizens and permanent residents were able to access up to \$10,000 of their superannuation before 1 July 2020. They can access a further \$10,000 until 31 December 2020.

Temporary reduction in minimum drawdowns – already announced

The Government has also provided assistance by temporarily halving superannuation minimum drawdown requirements for the 2019-20 and 2020-21 income years, reducing the need to sell investment assets to meet these requirements.

Reduction in social security deeming rates – already announced

The Government has also provided assistance by reducing the upper and lower social security deeming rates to 2.25 per cent and 0.25 per cent respectively from 1 May 2020, taking into account the low interest rate environment and its impact on income from savings.



Damian Ryan

Tax Partner,
Superannuation & Funds

Comments

The early release from superannuation provisions that were introduced in response to COVID allowed qualifying individuals to access up to \$20,000 of their superannuation savings tax free in two withdrawals of up to \$10,000 each.

The ATO has released guidance to clarify the tax treatment of these amounts. No withholding is required by the superannuation fund, the normal proportioning rules are to apply, and the amounts are tax free in the hands of the recipient.

Integrity guidance has also been issued to warn those recipients who were not eligible, but applied for early release to expect compliance activities.

Some of the interesting observations include:

- The impact of these measures on low balance members, particularly, younger members and women, that have eroded their superannuation balances, with significant consequences for their future retirement outcomes.
- The impact of these measures on low balance members who have withdrawn all of their balance such that they have lost their insurance cover within superannuation.
- The administrative cost on funds and their administrators of administering the temporary measures.

Key insights

- The early release from superannuation measure that allowed qualifying individuals to withdraw \$10,000 from their superannuation tax-free has been extended for the FY2021 year from 24 September 2020 to 31 December 2020.



Enterprise

Changes to JobKeeper

The JobKeeper scheme has played a vital role in cushioning the impact of COVID-19 on the national economy. Recent changes to JobKeeper will provide the market with much needed certainty, and will enable businesses to better model their workforce costs and cashflows past the September quarter. Indeed the extension of the subsidy will provide much needed protection for many businesses and employees.

With the introduction of the new JobKeeper measures, employers may need to make changes to their payroll depending on how many hours an employee has worked in the fortnight and whether their pay needs to be topped up. As a minimum, employers should:

- Establish categories which reflect the level of JobKeeper entitlement based on the average hours worked in February 2020.
- Reduce minimum payment amounts in the payroll system, based on the category determined as above.

Employers with large casual employee populations should be conscious that it may take considerable time to assess the hours worked in February 2020, so the analysis should be undertaken soon.

If employers determine they are no longer eligible for the JobKeeper scheme after 27 September they should ensure the last JobKeeper fortnightly period includes the description: "JOBKEEPER-FINISH-FN13".

The changes to the scheme add further complexity when assessing eligibility and amounts to pay employees. The ATO have already commenced compliance activity around JobKeeper claims, and will continue to review claims to maintain the integrity of the scheme.

Supporting SME investment

The Federal Government will continue to support small to medium sized businesses (SMEs) as they move into the recovery phase by extending the previously announced Coronavirus SME Guarantee Scheme, which will support SMEs to gain access to the funding they need to move out of hibernation and adapt to a new way of doing business and investing for the future.



Brett Mitchell

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Under the existing Scheme, the Government is already providing an unprecedented level of support to SMEs in partnership with 44 approved lenders by guaranteeing 50 per cent of new unsecured loans to SMEs. While the Scheme provides for up to \$40 billion of loans, there \$1.5 billion of loans has been taken up. This is a strong indicator of the uncertainty we have seen in the economy since the pandemic hit.

Key changes to the Scheme include:

- Loans can now be used for a broader range of business purposes, including to support investment.
- Permitting secured lending (excluding commercial or residential property).
- Increasing the maximum loan size to \$1 million (from \$250,000) per borrower.
- Increasing the maximum loan term to five years (from three years).
- Allowing lenders the discretion to offer a repayment holiday period of up to six months.

This is a welcome announcement from the Government as it continues to show its commitment to supporting the flow of credit to the SME sector, throughout this period of economic uncertainty.

Instant asset write-off

As previously announced, businesses with aggregated turnover less than \$500 million will be able to benefit from the increased instant asset write-off threshold from \$30,000 to \$150,000 until 31 December 2020. The threshold applies on a "per-asset" basis, enabling businesses to write instantly write-off multiple assets in a year.

Key insights

- This time around, employers have more time to consider their ongoing eligibility to JobKeeper and should use it wisely to set up further changes to Single Touch Payroll to reduce the risk of overpayment or under-claiming.
- The initial phase of the Coronavirus SME Guarantee Scheme remains available for new loans issued by eligible lenders until 30 September 2020. The second phase of the Scheme, with the key changes above, will start on 1 October 2020 and will be available until 30 June 2021.



Agribusiness

This economic update signalled targeted investment in the sector in response to the COVID-19 pandemic and the recent 2019-2020 bushfires.

These updates build on previous commitments such as the COVID-19 Response Packages, Working Holiday Maker Visa Changes, the Instant Asset Write-Off and the Drought Response, Resilience and Preparedness Plan. There was reinforcement of previous commitments made from the National Bushfire Recovery Fund (\$2 billion), including the Royal Commission into National Natural Disaster Arrangements (\$30 million).

Drought support programs

The Government has committed an additional \$12.8 million over two years from 2019-20 to expand the Drought Communities Small Business Support Program to rural and regional small businesses affected by drought, COVID-19 or the 2019-20 bushfires.

Regional communities

Further to the \$20.8 million COVID-19 agricultural response packages announced in May, the Government reconfirmed its investment in the \$1 billion COVID-19 Relief and Recovery Fund. Examples of support include:

- \$110 million to reduce air freight cost and assist with international trade (IFAM already committed).
- \$94.6 million for vital funding to exhibiting zoos and aquariums, including those in regional Australia.

Changes to temporary visas

COVID-19 impacts on agricultural workforce have been further recognised with the Government extending temporary changes to working visas. These include:

- Working Holiday Maker (subclass 417 and 462) visa holders currently working in food processing or the agricultural sector will be eligible for a further visa and will be exempt from the six-month work limitation.
- Seasonal Worker Program and Pacific Labour Scheme workers and other visa holders currently in the agricultural sector whose visas are expiring may be eligible for a 12 month visa extension.



Robert Poole

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Agribusiness



Georgie Aley

Director,
Food & Agribusiness

Production levies

The Government has announced the following changes to agricultural levies and export charges:

- Rice – an increase to the research and development (R&D) component of the levy from \$2.94 per tonne to \$5.94, in response to the Ricegrowers' Association of Australia's request following an industry ballot. This will fund high priority R&D to benefit the industry.
- Dairy cattle – defer the commencement of the \$6 per head statutory dairy cattle export charge by six months from 1 July 2020 to 1 January 2021.
- Lamb – from 1 January 2021 align the definition of lamb for agricultural levies purposes with that used since 2019 for export legislation purposes.

Dairy sector regulatory reform

The Government will provide \$14.8 million over six years from 2019-20 for a program to reduce the regulatory and cost burden on exporters in the dairy sector.

Transforming Australia's waste and recycling industry

The Government will provide:

- \$249.6 million over four years from 2020-21 to support domestic waste management, reduce pressure on our environment and create economic opportunities for Australians.
- \$9.1 million over five years from 2019-20 (and \$1.3 million per year ongoing) to provide advice to introducers and users of industrial chemicals on environmental risk management.

Key insights

- COVID-19, drought and the 2019-20 bushfire recovery remains a priority with ongoing funding commitments to regional communities and universities, and policy changes to temporary visas to allow work extensions for eligible visa holders.



Health, Ageing & Human Services

Income support

Alongside the announced extension of the Jobkeeper payment until 28 March 2021, the Coronavirus Supplement is also set to continue to provide additional support to income support recipients. This payment will be reduced from \$550 per fortnight to \$250 per fortnight from 25 September, and will continue to be available until 31 December 2020.

A range of changes introduced in April to enable increased access to working age payments, such as Jobseeker or Youth Allowance (Other), will also continue until 31 December. These include expanded eligibility criteria to include sole traders and the self-employed, reduced waiting times for people entering payments, and a reduced taper rate for the partner income test. The taper rate will change to reduce payments by 27 cents per dollar earned over the income free area. The partner income taper rate was fixed at 60 cents in the dollar prior to the Coronavirus amendments in April 2020, which reduced it to 25 cents.

Other changes introduced in April will now end, with the reintroduction of the assets tests and liquid assets waiting period and the gradual reintroduction of mutual obligations for people on payments to seek work.

Health

The Australian Government has committed \$9.4 billion to support the health response to the COVID-19 pandemic. This investment includes:

- \$3.4 billion for the purchase of Personal Protective Equipment (PPE) and other essential equipment for the National Medical Stockpile, the National Incident Room, domestic manufacturing of medical equipment, and public awareness communication campaigns.
- \$3.7 billion to enhance hospital system capacity including the National Partnership Agreement on COVID-19 to fund half the costs incurred by the states and territories in diagnosing and treating patients with COVID-19 and the partnership to access private hospital capacity.
- Medicare subsidised telehealth for medical, nursing and mental health services.



Kerry McGough

Partner in Charge,
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Danielle Woolley

Partner,
Management Consulting

In addition to COVID-19 measures, the \$2.0 billion National Bushfire Recovery Fund provided \$82.1 million for mental health support services for individuals, families and communities impacted by the bushfires.

Ageing and aged care

For older Australians accessing aged care, the Government will provide \$618 million over six years to fund additional home care packages and improve transparency and regulatory standards. Specific initiatives include the serious incident response scheme (\$23 million over five years), options to reform funding and replace the ICT payment system (\$167 million over two years) and an additional 6,105 home care packages (\$347 million over five years).

Action has also been taken to support older Australians through the COVID-19 pandemic. As part of an overall \$813 million investment, the Government has committed \$309 million to support aged care providers prepare for and respond to workforce supply challenges, \$205 million to address cost pressures associated with staffing, training, supporting visitations and PPE, and \$70 million to provide access to short term home support services to older Australians who are frail or have self-isolated due to their risk of contracting COVID-19.

Housing

Housing turnover fell sharply during the June quarter. The established housing market has experienced price falls for two consecutive months, with some signs of improvement following lifting or easing of restrictions.

At the centre of the Australian Government's response to housing is the Home Builder program, which will provide a \$680 million investment in 2020-21 to support residential constructions and employment by encouraging rebuilds and new construction this calendar year. The program will be delivered under a National Partnership Agreement that has been signed by all states and territories and seeks to deliver 140,000 direct and approximately 1 million indirect construction sector jobs.

As part of adjustments to social security, people seeking rent assistance no longer have to provide proof of their rent arrangements (although some rent reviews will still occur for those already receiving rent assistance). This sits alongside programs in states and territories to provide a moratorium on evictions for residential tenancies (pm.gov.au/media/national-cabinet-statement).

Supporting the vulnerable

The Government will provide \$590.4 million over two years to increase services and supports to vulnerable Australians affected by COVID-19. An additional \$150 million will support people at risk of domestic, family and sexual violence during the COVID-19 pandemic. This includes funding for crisis accommodation and a nationwide awareness campaign.

Other supports for vulnerable Australians include \$64.2 million to extend grants to a range of family and community based services, \$34.2 million to increase services and support available to people with disability and businesses providing employment supports and services to people with disability and \$6.2 million to the National Disability Insurance Scheme Quality and Safeguards Commission to provide additional support to individuals and service providers impacted by COVID-19.

Key insights

- The Coronavirus supplement will continue to provide additional income for income support recipients, although it will be reduced to \$250 per fortnight from 25 September. Mutual obligations for payment recipients will be gradually re-introduced.
- The Government has invested \$9.4b to protect Australians from the health impacts of COVID-19 including purchasing PPE and expanding hospital system capacity.
- Aged care providers are being supported to respond to COVID-19 with additional funding available for staffing, training, supporting visitations and PPE.
- The Government is providing \$590m over two years to increase services and supports to vulnerable Australians affected by COVID-19 including people at risk of domestic violence and people with disabilities.

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