

13 MAR, 2020

Wise Budget set up stimulus

West Australian, Perth

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MATHIAS CORMANN



C OVID-19 presents Australia, and the world, with a significant, new and unexpected challenge.

We continue to focus on slowing down the spread of the coronavirus here in Australia. However, we also know that eventually, the rate of infections will accelerate and it will spread to a large proportion of our population.

That is why we are working with State and Territory governments to boost the capacity of our health system to respond to the inevitable increases in demand it will face.

We also know that the spread of the coronavirus in Australia and around the world is having a material negative effect on our economic growth rate, a negative effect which will sadly grow over the coming weeks and months.

That is why our \$17.6 billion economic plan is designed to help us through the difficult economic transition in front of us as a result of the global coronavirus pandemic.

Our plan is designed to keep businesses in business, to protect jobs and to support households and the Australian economy throughout this period.

There will be a strong recovery on the other side and we want that recovery to be as strong as it possibly can be.

That is why we are providing time-limited generous incentives to business to encourage them to invest more now into their future success.

Spending this amount of

money this quickly does mean that we will not be able to deliver a surplus in 2019-20 as previously forecast.

We returned the Budget to balance last year and were on track to return the Budget to surplus this year. However, in the circumstances we are facing as a nation, we are absolutely certain that doing what we are doing to protect the health, wellbeing and livelihoods of Australians is what must be done right now.

In fact, by making the necessary difficult decisions to repair the Budget over the past six years, we have put Australia in the best position to respond strongly and decisively to this crisis.

Returning the Budget into balance by better controlling expenditure while also delivering income tax relief to underpin stronger economic growth is what has helped put Australia in a stronger economic and fiscal position to deal with the challenges in front of us.

Importantly, while the fiscal measures we are taking are significant, they are also temporary. We are not

imposing additional ongoing structural burdens on our Budget by baking in spending increases over the longer term.

We are facing a temporary challenge and we are responding to it with temporary measures to support Australians through the period ahead.

There is a lot of uncertainty around the time this pandemic will take to work its way through and about the level of economic impact it will have here and abroad.

That is why our economic

plan is scalable. It can be adjusted to what is clearly an evolving situation.

We can, and will, do more down the track if we need to.

Our economic stimulus plan has been carefully designed to deal with the specific challenges we are facing. It is a sizeable package representing just under 1 per cent of GDP.

As part of our plan up to 6½ million individuals and 3½ million businesses will receive direct support.

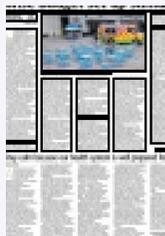
We are turbo charging our previous instant asset write-off, now offering businesses with a turnover of up to \$500 million the opportunity to immediately deduct the cost of any investment into a capital asset of up to \$150,000 — as long as they do so by June 30.

Furthermore, for those same businesses, we are allocating about \$3.2 billion towards a time-limited 15-month investment incentive by accelerating depreciation deductions. Businesses with a turnover of less than \$500 million will be able to deduct an additional 50 per cent of the asset cost in the year of purchase.

The biggest part of the package, \$6.7 billion, goes towards providing cash-flow support to small and medium-sized businesses, helping them hold on to their employees. All businesses will need their staff on the other side of this crisis, so that the country can have the strongest possible economic recovery. We

want them to support their staff through this crisis, keep them working and be ready for the recovery on the other side.

We have also provided support to businesses which



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employ about 120,000 apprentices around Australia. We are providing a wage subsidy representing 50 per cent of the apprentices' or trainee's wages for up to 9 months from January 1 this year. We would like to see those businesses hold on to their apprentices or where a small business really is not able to do so, the subsidy will be available to any new employer who employs that apprentice.

There will be \$4.8 billion to provide one-off \$750 payments specifically targeted to pensioners, social security recipients, veterans and other income-support recipients and eligible concession card holders.

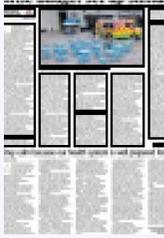
We are also offering administrative relief from certain tax obligations, including offering the opportunity to defer tax payments by up to four months.

Finally, we have set aside \$1 billion to assist severely affected regions and communities, including those heavily reliant on industries such as tourism, agriculture and education.

We have been able to take these actions to keep Australians in jobs, keep businesses open and support households because of six years of hard work to balance the Budget. Our efforts to repair the Budget have positioned Australia well to respond to unexpected new challenges like the coronavirus pandemic.

It's a clear demonstration why sound economic and fiscal management is so critical to our nation's future success.

**Mathias Cormann is Federal
Finance Minister**



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The coronavirus has hammered businesses around the globe. Picture: AP