

Federal Budget 2016-17 Extract Industry Grants & Incentives

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National Innovation and Science Agenda

Venture capital limited partnerships

The Government is backing innovation in financial services in the Australian market. This measure supports the promotion of Australian FinTech organisations and promotes Australia to offshore FinTech innovators:

- Transitional arrangements will allow conditionally registered funds that become unconditionally registered after 7 December 2015 to access the tax offset if the criteria are met;
- relax the requirement for very small entities to provide an auditors' statement of assets;
- extend the increase in fund size from \$100.0 million to \$200.0 million for new early-stage venture capital limited partnerships (ESVCLPs) to also apply to existing ESVCLPs;
- ensure that the venture capital tax concessions are available for FinTech, banking and insurance related activities; and
- provide \$0.2 million in 2016-17 to promote Australia internationally as a financial technology (FinTech) destination.

Landing Pads in Innovation Hot Spots

\$2.4 million over two years from 2016-17 to bring forward the opening of the Singapore and Berlin Landing Pads from 2018-19 to 2016-17. The Landing Pads will support emerging Australian companies in global innovation hotspots.

Youth Employment Package — encouraging entrepreneurship and self-employment

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Employment	-	15.3	24.2	24.0	24.2
Related capital (\$m)					
Department of Employment	-	0.9	-	-	-

Additional \$88.6 million over four years from 2016-17 to expand the New Enterprise Incentive Scheme (NEIS) and to support self-employment opportunities for young people. From 1 December 2016, the Government will introduce a suite of initiatives to expand self-employment opportunities and encourage entrepreneurship among young Australians. These include:

- 'Exploring Being My Own Boss' workshops to engage young job seekers to explore self-employment as an alternative pathway to employment;
- Self-Employment and Entrepreneurship Starter Packs to raise awareness of the self-employment assistance available to youth; and
- Engaging Inclusive Entrepreneurship Facilitators in areas of high youth unemployment to assist potential entrepreneurs in accessing local mentors and services.

The number of places in NEIS will also be increased to 8,600 per annum and eligibility will be expanded to people not on income support, including recently retrenched workers.

Youth Jobs PaTH (Prepare - Trial - Hire)

Expense (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Human Services	0.1	7.8	0.8	0.7	0.7
Department of Social Services	-	0.5	1.4	1.4	1.4
Department of Employment	-	-0.9	67.9	81.7	81.3
Total — Expense	0.1	7.3	70.1	83.8	83.4
Related capital (\$m)					
Department of Employment	-	4.8	-	-	-

The Government will provide \$751.7 million over four years from 2016-17 to establish a Youth Jobs PaTH program for young job seekers aged under 25 years to improve youth employment outcomes. The new pathway is designed to enhance young people's employability and provide up to 30,000 young people each year with real work experience. The pathway has three elements:

- Industry-endorsed pre-employment training (Prepare) —from 1 April 2017, training for up to six weeks will be provided to develop basic employability skills, including those required to identify and secure sustainable employment.
- Internship placements of up to twelve weeks (Trial) — from 1 April 2017, up to 30,000 internship placements will be offered each year to enable businesses and job seekers to trial their employment fit. Job seekers will receive a \$200 fortnightly incentive payment and businesses will receive \$1,000 upfront to host an intern. Placements will be voluntary and will be organised by employment services providers. Job seekers must be registered with jobactive, Disability Employment Services or Transition to Work, and have been in employment services for at least six months to be eligible for the internship program.
- Youth Bonus wage subsidies (Hire) — from 1 January 2017, employers will receive a wage subsidy of up to \$10,000 for job seekers under 25 years old with barriers to employment and will continue to receive up to \$6,500 for the most job-ready job seekers. Job seekers must be registered with jobactive or Transition to Work, and have been in employment services for at least six months for employers to be eligible for the wage subsidy.

Industry Skills Fund — efficiencies

The Government will achieve savings of \$247.2 million over five years from 2015-16 by reducing the annual funding available under the Industry Skills Fund. Funding of \$206.9 million over five years will continue to be provided to support the training needs of small and medium enterprises which cannot be readily met by the national training system.

Job Commitment Bonus

The Government will achieve efficiencies of \$242.1 million over five years from 2015-16 by ceasing the Job Commitment Bonus from 31 December 2016. Existing eligible job seekers will have up to 90 days from 31 December 2016 to apply for the Job Commitment Bonus, with up to an additional 90 days in special circumstances.

Centre for Defence Industry Capability (CDIC)

The CDIC will provide strategic Defence and industry leadership for the defence sector, and help build the industry's capability and capacity to support the Australian Defence Force.

The CDIC is a 10 year initiative worth around \$230 million, and will be a close collaboration between private industry, Defence and AusIndustry designed to best meet the needs of both industry and Defence.

The CDIC will commence operations in the second half of 2016, focusing on delivery of services to defence businesses within three core streams of activity: industry development; facilitating innovation; and business competitiveness and exports.

Wine equalisation tax rebate integrity and wine tourism funding

The Government will reduce the WET rebate cap from \$500,000 to \$350,000 on 1 July 2017 and to \$290,000 on 1 July 2018 and introduce tightened eligibility criteria which will apply from 1 July 2019. This measure will better target assistance and reduce distortions in the wine industry.

The Government will also provide \$50.0 million over four years to the Australian Grape and Wine Authority to promote wine tourism within Australia and Australian wine overseas to benefit regional wine producing communities.

Excise refund scheme for distillers

The Government will extend the current brewery refund scheme to domestic distilleries and producers of low strength fermented beverages such as non-traditional cider from 1 July 2017. The scheme will not be extended to most alcopops producers (that is, those that merely purchase the spirits and add the soda and other flavours), nor wine which benefits from the wine equalisation tax rebate. This measure is estimated to have a cost to revenue of \$9.0 million over the forward estimates period.

Clean Energy Finance Corporation and the Australian Renewable Energy Agency

The Government will retain the Clean Energy Finance Corporation (CEFC) and the Australian Renewable Energy Agency (ARENA), and refocus part of their activities towards the Government's innovation agenda.

The CEFC's investment mandate will be revised to allocate \$1.0 billion in existing CEFC funding over 10 years to establish a Clean Energy Innovation Fund under the CEFC, to be jointly managed with ARENA. The Clean Energy Innovation Fund will provide debt and equity financing to assist emerging clean energy technologies make the leap from demonstration to commercial deployment. ARENA will also continue to manage its existing portfolio of grants within the \$1.0 billion envelope of funding made available for this purpose in the 2014-15 Budget.

Ten Year Enterprise Tax Plan — increase the small business entity turnover threshold

The Government will increase the small business entity turnover threshold from \$2.0 million to \$10.0 million from 1 July 2016. The current \$2.0 million turnover threshold will be retained for access to the small business capital gains tax concessions, and access to the unincorporated small business tax discount will be limited to entities with turnover less than \$5.0 million. An additional 90,000 to 100,000 business entities will gain access to the small business concessions, such as the lower small business corporate tax rate, accelerated depreciation and depreciation pooling provisions.

This measure is estimated to cost \$2.2 billion.

Ten Year Enterprise Tax Plan — reducing the company tax rate to 25 per cent

The Government will reduce the company tax rate to 25 per cent over 10 years.

The tax rate for businesses with an annual aggregated turnover of less than \$10.0 million will be 27.5 per cent from the 2016-17 income year. The threshold will then be progressively increased to ultimately have all companies at 27.5 per cent in the 2023-24 income year. The annual aggregated turnover thresholds for companies facing a tax rate of 27.5 per cent will be:

- \$25.0 million in the 2017-18 income year;
- \$50.0 million in the 2018-19 income year;
- \$100.0 million in the 2019-20 income year;
- \$250.0 million in the 2020-21 income year;
- \$500.0 million in the 2021-22 income year; and
- \$1 billion in the 2022-23 income year.

In the 2024-25 income year the company tax rate will be reduced to 27 per cent and then be reduced progressively by 1 percentage point per year until it reaches 25 per cent in the 2026-27 income year. Franking credits will be able to be distributed in line with the rate of tax paid by the company making the distribution.

This measure is expected to have a cost to revenue of \$2.7 billion over the forward estimates period.

Ten Year Enterprise Tax Plan — increase the unincorporated small business tax discount

The Government will increase the tax discount for unincorporated small businesses incrementally over 10 years from 5 per cent to 16 per cent. The tax discount will increase to 8 per cent on 1 July 2016, remain constant at 8 per cent for eight years, then increase to 10 per cent in 2024-25, 13 per cent in 2025-26 and reach a new permanent discount of 16 per cent in 2026-27. This will coincide with staggered cuts in the corporate tax rate to 25 per cent (see the related measure Ten Year Enterprise Tax Plan — reducing the company tax rate to 25 per cent). The current cap of \$1,000 per individual for each income year will be retained.

The tax discount applies to the income tax payable on the business income received from an unincorporated small business entity. Access to the discount will be extended to individual taxpayers with business income from an unincorporated business that has an aggregated annual turnover of less than \$5.0 million.

This measure is estimated to have a cost to revenue of \$450.0 million over the forward estimates period.