Editor-in-Chief's Welcome

Welcome to FinConomics, a series of editorials providing the latest news happening around Australia and the world. In this issue, we dive into the Federal Budget for 2021/2022.

- Ashutosh Dandagi

Editors

Matthew Kanizay

Matthew Mutavdzija

Sachitha Dissanayake

Budget 2021: Taxation Policies

Matthew Kanizay

Benjamin Franklin once famously said that 'nothing can be said to be certain, except death and taxes.' Taxes are an important part of society and force individuals to pay their fair share of what they receive from the government, such as education and roads.

The 2021/22 Federal Budget highlights the Coalition government's policies that seek to reduce taxes for hard-working Australians, and lower income tax rates for business, incentivising job creation and stronger economic growth.

The issue of taxation is a staple government policy, especially considering the impacts of COVID-19 seen throughout 2020 and into 2021. With many individuals experiencing unemployment and a significant reduction in turnover for businesses, Australians have become more reliant than ever on government support schemes, such as JobKeeper and JobMaker.

Lower Taxes for Hard-Working Australians

The 2021/22 Federal Budget seeks to reduce payable taxes for low and middle-income earners, with the aim to incentivise household spending and as a result, bolster Australia's economy.

The Coalition committed an additional $7.8 billion in personal tax cuts in the 2021/22 Budget. This $7.8 billion is made up of the LMTO (Low Middle Income Tax Offset) and the LITO (Low-Income Tax Offset). These tax offset schemes will benefit approximately 10.2 million Australians, with an additional $1,080 to every eligible individual and $2,160 going back to every eligible couple throughout the fiscal year. Bringing the LITO and LMITO into effect for the 2021/22 Financial Year will assist in increasing Australia's GDP by $4.5 billion in 2022/23, creating a further 20,000 jobs by the end of the fiscal period.

In the 2021/22 Budget, the Government also committed a further $25.1 billion in tax cuts under the 2021/22 Personal Income Tax Plan, which has continued since its introduction in the 2018/19 Budget under the Turnbull-led government. The continuing Personal Income Tax Plan provides for tax cuts of up to $7,020 for singles and $14,040 between the period of 2018/19 and 2021/22. When Stage 3 of the Personal Income Tax Plan is implemented in 2024/25, approximately 95% of taxpayers will be paying a marginal tax rate of 30% or less, a substantial reduction from the current marginal tax rates.

Business Tax Relief to Create Jobs

Business tax policies provided for in the Budget had three main objectives. These objectives were for businesses to invest and create jobs, to build on prior tax reforms for small and medium businesses and provide a path for small businesses to pause debt recovery action.

The objective to incentivise businesses to invest and create jobs saw the extension of temporary full expensing for an additional year until 30th June 2023. Temporary full expensing relates to the ability of a business to temporarily claim an immediate deduction for the full cost of eligible capital assets. This also includes an extension of the temporary loss carry-back to include the 2022/23 tax year, whereby any losses made in the 2020 to 2022/23 income years are offset against any profits made from 2019 onwards. Effectively, the ATO provides a tax credit refund to businesses whose operations have resulted in a net-loss.

There are additional business tax motivations, such as research and development, and investing in infrastructure and machinery with the hope to increase and stimulate business activity. The inclusion of these measures will result in an estimated $20.7 billion in tax relief for businesses over the forward estimates period.

This is part of the broader $320 billion plan in the investment into and creation of jobs by the end of 2022/23. As a result, it is estimated that this $320 billion investment into Australian businesses will boost the GDP by approximately $2.5 billion in 2020/21, $7.5 billion in 2021/22, and $8 billion in 2022/23.

The second objective the government included in the Federal Budget was elevating prior tax reform for small and medium businesses. The main aim of this is to reduce the tax rate for small companies from 30% to 25% from the 1st of July 2021. The government will deliver more than $16 billion in tax cuts to small and medium businesses by 2023-24, stimulating economic growth and lowering unemployment rates.

The third objective was to make it easier for small businesses to pause debt recovery action while in dispute. This will be achieved through the Administrative Appeal Tribunal (AAT), whose powers will be strengthened to pause or modify actions of debt recovery until any underlying disputes are resolved. The new powers of the AAT will be beneficial to businesses who are experiencing debt concerns or have an existing debt-funding agreement, wherein the dispute process will be simplified, and costs can be lowered for small businesses.

Infrastructure and Housing

Ashutosh Dandagi

In this year's Budget, the Government announced additions to its 10-year infrastructure plan, where an additional $15.2 billion would be injected into the plan, seeking to create an additional 30,000 jobs.

The Commonwealth Government has allocated almost $2 billion in additional funding to improve road safety and community infrastructure projects, with Victoria receiving $373.5 million.

Victoria has also been promised $3 billion for infrastructure spending, two-thirds of which is earmarked for a brand-new Intermodal Terminal in Melbourne. The new terminal is to be used to transfer goods from freight trains to deliver goods to all parts of Victoria. The project is designed to reduce Australia's reliance on trucking from Melbourne to Brisbane, taking pressure off roads and reducing the environmental impacts of the transfer of freight. Location sites include Truganina and Beveridge.

The Victorian Transport Minister, Jacinta Allan greatly preferred the Truganina site (Allan 2021), as it has a significant amount of freight movement already accounting. An additional $1 billion has been allocated to upgrade the roads of Pakenham and Monash.

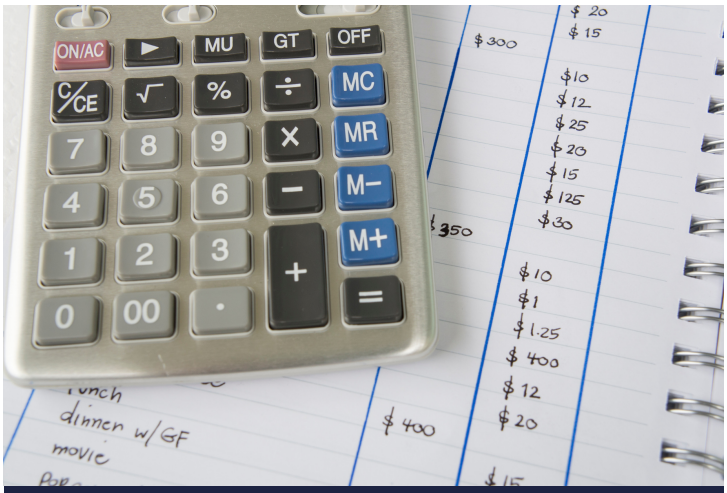
New South Wales's portion of the infrastructure spending is to the tune of $3.3 billion dollars, allowing for upgrades to its Great Western and Princes Highway. Similar funding for inland infrastructure projects was also announced for all the other States and Territories, including funding for rail projects in Canberra and Perth.

In addition to infrastructure projects, the Commonwealth has also announced the extension of the HomeBuilder and New Home Guarantee, the introduction of a Family Home Guarantee, and amended the First Home Super Saver to address key issues with housing affordability in Australia. (Budget Overview 2021-22, 2021).

The HomeBuilder scheme has been revised to extend the six-month construction commencement period to 18 months to allow any existing applications increased planning times, resulting in a more gradual flow of construction jobs in the years to come.

The HomeBuilder scheme is a $15,000 grant to either build a new home or to substantially renovate an applicant's home (The Treasury, 2021). On the other hand, The New Home Guarantee has been extended to provide funding for a further 10,000 first-home applicants. The New Home Guarantee allows applicants to purchase a newly built home with a deposit of just 5%, with the Federal Government acting as a guarantor to the mortgage.

Following the success of the New Home Guarantee, the Commonwealth government has introduced a Family Home Guarantee. The Family Home Guarantee allows single parents to be able to purchase a new or existing home with the backing of the federal government with as little as a 2% deposit, depending on their ability to service the loan.



Budget 2021-22: Aims for Stronger Fiscal Position

Sachitha Dissanayake

By the start of 2020, the Federal Government had achieved a surplus for the first time in over a decade, with plans to repay a significant portion of national debt to minimise the fiscal burden on future generations (Commonwealth of Australia, 2019). COVID-19, however, had other plans by pushing the Australian Economy into recession, a phenomenon not experienced by the nation for nearly 30 years.

The Impact of COVID-19

By mid-2020, the Government was left with the unenviable task of launching an economic recovery. While the RBA further reduced its interest rates to encourage economic stimulation, the Coalition utilised its strong fiscal position to push aggregate demand upwards.

The Government's expenditure reached the substantial figure of $291 billion with an average amount of $7,600 per person (Lee 2020); all while keeping tax rates low. This resulted in the Australian economy recovering quicker and performing well above the efforts put forth by every other major advanced economy around the globe (Commonwealth of Australia, 2021). The Expansionary Fiscal Policy, however, meant that the Federal Budget secured its largest deficit since World War II (Lee, 2020).

Revitalisation of the Federal Budget

The fiscal objectives set by the Budget for the year 2021/22 can be viewed as twofold. In the first phase, the Government is expected to continue its expenditure to deliver on the promise of a strong economic recovery while bringing the unemployment rate down to pre-COVID-19 rates. This is expected to set the government on its way to reduce its expenditure and achieve parity in its fiscal budget through the reduced burden of lesser welfare benefits payable. Therefore, the second phase of the government's fiscal plans is to reduce the deficit being experienced by the federal budget (Commonwealth of Australia 2021).

Why is a reduction of the Budget deficit the need of the hour?

The incurrence of a Budget deficit is largely deemed by economists as a requirement when dealing with the business cycle's fluctuations. The recession caused by COVID-19, therefore, proves a prime example of a situation where a government needs to dig deep into its pockets to initiate economic recovery.

However, the problem posed by a persistent Budget deficit is the impact it has upon the nation's debt accumulation. National debt in Australia is calculated to be at a value equivalent to 34% of the country's GDP, averaging out to be worth just below $31,000 per citizen (Australian Government Data, 2021). This value is rather insignificant compared to other developed economies such as Japan and the US. However, national debt significantly impacts an economy's ability to grow. Servicing debt requires a large amount of government resources in the future, thereby reducing the government's ability to pursue side policies to improve productive supply potential in the long run.

What will be the impact of the expected fiscal strategy?

The fiscal strategy referred to in the Budget 2021-22 can be deemed contractionary by nature. This means there will be an eventual reduction in the aggregate demand and a slowdown of the economy's recovery.

However, this may not be the case in this vital juncture of Australia's economic recovery. The government is expected to keep its tax rates equivalent to those in force now; hence, ensuring the prevention of a downfall in disposable incomes.

In addition, the reduced government expenditure is essentially the result of an automatic stabiliser as the economic recovery reduces the unemployment rate and, in the process, brings down the need for welfare benefits payments.

Therefore, the fiscal strategy to be pursued during the current year hits the right balance of imposing a dent upon the nation's debt whilst not halting an impressive economic recovery currently in the works.

Mental Health

Matthew Kanizay

Mental health has historically been considered a taboo topic and looked down upon by society, heavily stigmatised and shunned. While visiting a doctor or GP has been considered acceptable for a physical injury, seeing a GP or psychologist to obtain a mental health care plan has not been socially acceptable, and is something that still occurs today, to a lesser extent.

However, as society has become more accepting and progressive of the mental health issues that people face, it has received greater support, from both the government and public, particularly in tackling Australia's mental health crisis.

Despite increased government attention and funding for mental health issues, the societal expectations to work longer hours, spend less time with family and friends, and social isolation experienced by many has exacerbated Australia's mental health crisis. Additionally, the worsening impacts of mental health caused by the 2019/2020 bushfires and the conditions of COVID-19, including lockdowns and the inability for Australians to travel and socialise with family and friends.

In July 2020, insurance company TAL released a Mental Health Whitepaper, detailing their insights into Australia's mental health crisis and the impacts of a lack of mental health care on Australian people. TAL's Whitepaper found that 45% of Australians had experienced a mental health disorder in their lifetime (National Survey of Mental Health and Wellbeing: Summary of Results: Australia, ABS 2007), and that out of a population of 24.9 million people, there were 9.9 million Australians who experiencing mental health issues classified as at-risk, mild, moderate, or severe (The Social and Economic Benefits of Improving Mental Health, Productivity Commission Issues Paper January 2019).

Not only does mental health impact individuals in a personal context, the overall economic impact is also visible. Workplace stress and absenteeism costs an estimated $14.81 billion to the Australian economy each year, presenting a $10.11 billion direct cost to employers (The Cost of Workplace Stress in Australia, Medibank Private 2016). Mental health conditions cost employers an estimated average $3,200 per employee in absenteeism and presenteeism, which can range up to $5,600 for those who experience severe mental health conditions (Investing to Save Report, KPMG 2018).

The 2021/22 Federal Budget sought to invest in improved services to ensure all Australians who require mental health support can access it. An amount of $2.3 billion was allocated in the Federal Budget to funding mental health care packages over the next four years, representing an annual allocated budget of $575 million per year. In his Federal Budget announcement speech, Treasurer Josh Frydenberg acknowledged that suicide was the leading cause of death in those aged 18 to 44, a tragic statistic that can be prevented.

The $2.3 billion will go towards mental health prevention and treatment services, including 40 new Head-to-Health mental health facilities, suicide prevention services, increased access to mental health care treatment through options under the Medicare Benefits Scheme, and support for vulnerable groups. Additionally, combined support from both state and territory governments and the federal government will introduce the National Agreement on Mental Health and Suicide Prevention, which is to be formalised in November 2021.

However, not everyone is satisfied with the proposed budget allocation towards mental health. Sebastian Rosenberg, a senior lecturer at the Brain and Mind Institute, believes that the increase in funding is not enough. Speaking to Fran Kelly on RN Breakfast, he believes that at least double the allocated funding is required, suggesting an annual budget of around $1 billion. Rosenberg also acknowledged the detrimental impact of COVID-19 lockdowns, and how the continued uncertainty of COVID-19 is an important factor to be accounted for in Australia's mental health budget.

If you or anyone you know needs help:

- Lifeline (24-hour Crisis Line): 131 114
- Kids Helpline on 1800 551 800
- MensLine Australia on 1300 789 978
- Suicide Call Back Service on 1300 659 467
- Beyond Blue on 1300 224 636
- Headspace on 1800 650 890
- ReachOut at au.reachout.com

Digital Economy Strategy

Matthew Mutavdzija

The Federal Government has allocated $1.2 billion over the next six years to building Australia's digital economy strategy, expanding upon the $800 million Digital Business Plan. Digital economy refers to a portion of the Australian market and how it operates under digital computing technologies, such as online marketplaces. The objective of this allocation of funds is to assist Australia in a national economic shift into a more technological economy and become a "leading digital… society by 2030".

The digital economy strategy is built on three pillars, these being establishing a solid foundation to grow the digital economy, providing the capabilities for government agencies and businesses to adopt these emerging technologies, and setting digital growth priorities to boost innovation within the Australian marketplace (Digital Economy Aus, 2021).

Outlined within the digital economy section of the Budget, the Federal Government has highlighted eight specific areas of focus. One of these sections is digital skills, where funding is to encourage the growth of Australia's digital skills and productivity within the education and training sectors. This also provides the opportunity for reskilling and upskilling for in-demand work (Digital Economy Aus, 2021).

Additionally, the Government is investigating the economy-wide benefits that artificial intelligence can have in improving Australia's competitive capabilities alongside general improvements within local sectors of the economy.

One of the ways this is being achieved is through $53.8 million dollars in allocated funding to a National Artificial Intelligence Centre, which aims to promote the adoption of AI technology in businesses. The centre will also fund projects that "improve AI business capability to new technologies" (InnovationAus, 2021) which is seeking to stimulate collaboration and investment.

Another important area highlighted was the improvement and focus on cyber security, safety and trust within the government and the public. This is being achieved via a heavier focus on future connectivity using 5G and 6G networks alongside a National Data Security Action Plan that will help strengthen Australian Government data through improvements in critical infrastructure and systems of national significance.

Overall, the Federal Government's shift into a more digital future should reassure Australians, considering how quickly the industry evolves and re-invents itself. Laying the foundations now to keep pace with established digital economies should give the citizens of Australia confidence that the Government is beginning to take steps into a more digital future.

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The following are the submission guidelines set by the Deakin Commerce Society relating to submissions for 'The DCS FinConomics'. All guidelines are to be strictly followed at all times, in order to uphold integrity, accuracy, fairness, privacy and avoidance of harm.

The General Guidelines are as follows:

- DCS accepts articles and opinion-pieces for its editorial 'The DCS FinConomics'. If necessary, articles must state that their references are the opinion of the original author. Opinion pieces must state that they are the opinion of the author.
- We only accept submissions sent as emails to admin@deakincommercesociety.com.au. All other submissions will not be considered.
- Please name the document of your submission as Full Name_Student ID_Name of Article/piece.
- We do not accept submissions that have been used for assignments, research or published elsewhere. Likewise, we do not accept submissions which are planned to be used for future assignments, research or other uses.
- You must be a Deakin student to submit an article/piece.
- All pieces should be size 12 and Times New Roman font.
- Pieces should be approximately 500 words, with a 15% leeway.
- All submissions should be in .doc or .docx format (Microsoft Word).
- For more information, you can view Deakin's Copyright and Intellectual Property guidelines by navigating the following links.
- All work must have full Harvard referencing, for more information on Harvard referencing, please view the following link: Harvard Referencing.

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- Zero tolerance for misrepresentation of any sort.
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- Respect confidences and sensitivities at all times.
- Familiarise yourself with the guidelines before submitting.