

## 2014-15 Budget NewsFlash

### Business Grants Bonus: \$5 Billion in cuts but \$8 Billion in new programs.

While this may be 'the Budget we had to have', the grants news is good. A general clean up, consolidation and raft of exciting new initiatives has been announced.

If all you have time for is a bullet point summary – please read our super summary below.

#### Less grants more money

Funding programs have grown to 723 grant programs with over \$50 billion awarded annually. This budget has sought to remove some of the duplication by combining programs to achieve greater efficiency and reduced administrative cost. As a result the number of grant programs will now drop to about 700 programs. However, the overall funding has not been reduced, in fact, it will increase. Two of these new consolidated programs will be the Entrepreneurs' Infrastructure Programme and the Industry Skills Fund.

#### Entrepreneurs' Infrastructure Programme

From January 2015, the Federal Government will replace a number of programs, including Commercialisation Australia, Enterprise Connect and the Textile, Clothing and Footwear programs. This will provide an investment of \$484.2M over five years; the cessation of eight programs will save \$845.6M. The new program will provide services previously provided by the programs to be ceased, such as commercialisation of good ideas (currently the purview of Commercialisation Australia) and the facilitation of access to business management advice (an aspect of Enterprise Connect).

#### Industry Skills Fund

The establishment of the Industry Skills Fund will be delivered at a cost of \$476M to deliver 121,500 training places and 74,300 support services. This program will replace ten different programs including the National Workplace Development Fund and Australian Apprenticeships Access Programme which will save the budget \$1.0B. The new Industry Skills Fund will require business to make a co-contribution towards the cost of the training based on the business size.

#### The Medical Research Future Fund

The surprise of the budget, this endowment will be worth \$20B, paid for by savings in the health portfolio. From 2015-16, the net earnings from the Fund will serve as a permanent revenue stream, primarily to the National Health and Medical Research Council (NHMRC). The Fund will distribute around \$1.0B a year into medical research from 2022-23.

#### Minor changes to the R&D Tax Incentive

With the government committing themselves to reduce the rate of company tax by 1.5% to in part account for the Paid Parental Leave Scheme, they have made a similar reduction in the R&D Tax Incentive. Both the refundable and non-refundable rates of R&D Tax Incentive will be reduced by 1.5% effective from 1 July 2014.

R&D Tax Incentive	Current rate of benefit	Rate of benefit from 1 July 2014
<b>Refundable</b>		
Company in loss, <\$20M turnover	45c in the dollar	43.5c in the dollar
<b>Non-Refundable</b>		
Company in profit, <\$20M turnover	15c in the dollar	13.5c in the dollar
<b>Non-Refundable</b>		
Company in loss or profit, >\$20M turnover	10c in the dollar	8.5c in the dollar

This reduction will have a minimal effect for companies currently receiving the non-refundable tax credit due to the reduction in their overall company tax rate. However, for companies who currently access the refundable rate, which don't pay tax and therefore can't offset the reduction in R&D Tax Incentive benefit with the reduction in the company tax rate as a whole, this will mean a small, but real reduction in their benefit.

### **Growth Fund**

The cessation of car manufacturing in Australia has brought about a number of changes in grants programs. The government has addressed this with a multi-part program under the banner of Growth Fund. The Federal Government will contribute \$100.6M to the \$155M Growth Fund that has contributions from both Victorian and South Australian State Governments and Holden and Toyota. This program will assist transition industry, businesses and individuals affected by the end of car manufacturing through five different programs.

### **Environment**

With cessation of ARENA and environment related funding programs, \$2.8B grant funding has been removed. However, with the introduction of the new Green Army Programme, the Reef 2050 Plan, Working on Country and Land Sector Package, Landcare Programme and Emissions Reduction Fund, the government has committed over \$4.55B to the environment, through a range on initiatives that will likely involve major grant programs.

### **Exporters**

The Export Market Development Grant (EMDG) program received an extra \$50M. In addition, access is now easier with more grants on offer. Given our increasing number of free trade agreements, it is difficult for government to support exporters since tariffs and other measures are gone, so EMDG is a key way the government can help.

### **National Stronger Regions Fund**

The National Stronger Regions Fund will invest \$200M each year over five years in local capital works projects to improve local communities, for a total investment of \$1B. From 2015, the fund will enable councils and community groups to apply for grants between \$20,000 and \$10M, to meet half the cost of community building projects. Funding priority will be given to disadvantaged regions with a higher than average unemployment rate.

## 2014-15 Federal Budget Super Summary – Grant Program Changes

### Agriculture

Boosting farm profits through rural research and development (+\$100 million)  
Improved access to agricultural and veterinary chemicals (+\$80 million)  
Support for Small Exporters (+\$15 million)  
International Agricultural Cooperation Programme (-\$1.8 million)  
Fisheries Resources Research Fund (-\$3.9 million)  
Rural Industries Research and Development Corporation (-\$11 million)  
Support to Drought Affected Farmers (+\$320 million)

### Attorney-General's

Australian Interactive Games Fund (-\$10 million)  
Screen Australia (-\$24 million)

### Employment

Award Modernisation Process Industry Grants (-\$2 million)  
Ford Australia – Assistance to workers (-\$4.1 million)

### Environment

Emissions Reduction Fund (+\$2.55 billion)  
National Landcare Programme (+\$1 billion)  
Water Resources Assessment and Research Grant Programme (-\$0.2 million)

### Finance

Improving small business access to Commonwealth contracts (+\$2.8 million)  
Medical Research Future Fund (+\$1 billion)

### Foreign Affairs and Trade

International Tourism – Demand Driver Infrastructure (+\$43.1 million)  
World Bank's International Development Association (+\$748.8 million)

### Health

Discretionary Grant Programmes (-\$4.4 million)  
General Practice Rural Incentives Programme (+\$35.4 million)  
Medical Research Future Fund – Investments (+\$276.2 million)  
Simplified and consistent health and medical research (+\$9.9 million)

### Industry

Australia-China Science and Research Fund (+\$10 million)  
Australian Apprenticeships Incentives Programme (-\$914.6 million)  
Australian Renewable Energy Agency (-\$1.3 billion)  
Automotive Assistance (-\$618.5 million)  
Carbon Capture and Storage Flagships (-\$459.3 million)  
Entrepreneurs' Infrastructure Programme (+\$484.2 million)  
Ethanol Production Grants Programme (-\$120 million)  
General Motors Holden – Next generation vehicles (-\$215 million)  
Growth Fund (+\$100.6 million)  
Industry grant programmes (-\$3 million)

Industry Skills Funds (+\$476 million)  
Manufacturing Transition Grants Programme (+\$50 million)  
National Low Emissions Coal Initiative (-\$16.8 million)  
Plantation Manufacturing Innovation and Investment Fund (-\$15.5 million)  
Science for Australia's Future (+\$28 million)  
Textile, Clothing and Footwear Structural Adjustment Programme - Support Services (-\$1.5 million)  
Trade Support Loans (+\$439 million)

**Infrastructure and Regional Development**

National Stronger Region Fund (+\$1 billion)  
Tasmanian Wheat Freight Scheme (-\$4.1 million)

**Social Services**

National Rental Affordability Scheme (-\$235.2 million)

**Treasury**

Research and Development Tax Incentive (-\$620)  
Taxation treatment of biodiesel (-\$156 million)  
Exploration Development Incentive (+\$100 million)