



THE MORRISON GOVERNMENT'S SUPPORT TO
DEFENCE INDUSTRY & 2020-21 BUDGET MEASURES

PROVIDED BY
THE MINISTER FOR DEFENCE INDUSTRY
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MINISTERIAL FOREWORD



The primary job of the Australian Government is to keep Australians safe and the Morrison Government is committed to doing exactly that.

It is why we are investing \$270 billion in Australia's defence capability over the next decade and building a stronger defence industry.

We are ensuring the men and women of the Australian Defence Force have what they need to keep Australians safe.

At the same time, we are creating more jobs and backing Australian businesses to deliver this essential capability.

The important work of our Defence Force can only succeed with the help of the thousands of Australian workers and Australian businesses in our defence industry.

You are crucial in ensuring we have a strong economy, and by supporting your business, we are doing what we have done throughout 2020 – keeping the wheels of our defence industry turning.

This is why we are strengthening Defence support for small, medium and large businesses and improving the way we do business with industry.

The Morrison Government remains focused on the long-term endeavour of building a robust, resilient and internationally competitive defence industrial base.

The measures outlined in this document include our grants and innovation support, export assistance and our 2020-21 Budget measures.

I hope you find this information helpful. Thank you for your support for Australian manufacturing and innovation, and your determination to succeed during these challenging times.

A handwritten signature in blue ink that reads "Melissa Price". The signature is written in a cursive, flowing style.

The Hon Melissa Price MP
Minister for Defence Industry

GRANTS & INNOVATION CONTRACTS

Capability Improvement Grant

- Aim: To assist a business to implement recommendations made by a CDIC business adviser in a CDIC Advisory report, to improve the operation of a business.
- Target audience: Small and medium sized businesses.
- Grant available: \$4,000-\$240,000.
- Co-contribution requirement: 20 per cent of the value of their eligible project.
- Eligibility criteria: Have a valid ABN, be a small or medium sized business with fewer than 200 employees (subject to change through CDIC review) and be a company incorporated in Australia or an incorporated trustee on behalf of a trust or a company limited by guarantee. The business must also be applying to implement recommendations identified by a CDIC business adviser in an advisory service report.
- <https://www.business.gov.au/grants-and-programs/capability-improvement-grants>

Sovereign Industrial Capability Priority Grant

- Aim: To help Australian small and medium sized businesses build their skills and capabilities to deliver Defence's stated Sovereign Industrial Capability Priorities.
- Target audience: Small and medium sized businesses that contribute to one or more Sovereign Industrial Capability Priorities.
- Grant available: \$70,000-\$1.4 million.
- Co-contribution requirement: 30 per cent of the value of their eligible project.
- Eligibility criteria: Have a valid ABN, be a small or medium sized business with fewer than 200 employees (subject to change through CDIC review) and be a company incorporated in Australia or an incorporated trustee on behalf of a trust.
- <https://www.business.gov.au/grants-and-programs/sovereign-industrial-capability-priority-grants>

Defence Global Competitiveness Grant

- Aim: To build a stronger, more sustainable and more globally competitive Australian defence industry by supporting eligible Australian small and medium sized businesses overcome barriers to exporting.
- Target audience: Small and medium sized businesses.
- Grant available: \$24,000-\$240,000.
- Co-contribution requirement: New applicants will only be required to fund 20 per cent of the value of their eligible project.
- Eligibility criteria: Have a valid ABN, be a small or medium sized business with fewer than 200 employees (subject to change through CDIC review) and be a company incorporated in Australia or an incorporated trustee on behalf of a trust. Further eligibility criteria can be found in the link below.
- <https://www.business.gov.au/grants-and-programs/defence-global-competitiveness-grants>

Industry Skilling Enhancement Program Schools Pathways Program

- Aim: To help create a workforce pipeline capable of meeting the current and future skilling needs of defence industry by increasing the pool of STEM educated students, informing Australia's youth about defence industry career pathways, and providing practical experiences and networking opportunities with defence industry.
- Target Audience: Secondary school students to boost defence industry future workforce pipeline.
- Funding: Defence Industry Skills Flexible Funding Pool (\$2.6 million per year).
- Eligibility Criteria: SPP is delivered through targeted grant agreements with Re-Engineering Australia Foundation (REA) and Regional Development Australian – Hunter (RDA-H); and a Streamlined National Partnership Agreement (under negotiation) with the education departments of the Western Australian and South Australian governments.
- <https://www.defence.gov.au/SPI/Industry/IndustrySkillingSupport.asp>

Defence Industry Internship Program (DIIP) (delivered through a contractual arrangement)

- Aim: Facilitates paid 12-week internships for third and fourth-year engineering students to gain practical career experience and exposure to career pathways in defence industry.
- Target audience: Defence SMEs and third or fourth-year engineering students.
- Funding: \$2.7 million per year from the Defence Industry Skills Flexible Funding Pool.
- Eligibility criteria: Applicants must be a third or fourth-year engineering student enrolled at an Australian tertiary institution.
- <https://diip.com.au/>

Skilling Australia's Defence Industry (SADI) Grant Program

- Aim: To help grow the skills base of Australia's defence industry.
- Target audience: Defence industry small to medium enterprises, and defence industry associations.
- Funding: \$39 million over three years from the Defence Industry Skills Flexible Funding Pool (\$17 million+\$17 million+\$5 million).
- Eligibility criteria: Defence industry SMEs and industry associations can apply for grants of up to \$500,000 to provide their staff with skilling opportunities including formal qualifications, micro-credentialing, on-the-job training, support the supervision of apprentices and support for building HR practices. The skills areas eligible under the SADI Grants include technical and trade skilling training; project management; and design, engineering and logistics.
- <https://www.business.gov.au/grants-and-programs/skilling-australias-defence-industry>

Australia–US Multidisciplinary University Research Initiative Program (AUSMURI)

- Aim: To provide Australian universities involved in approved submissions on designated topics under the US Multidisciplinary University Research Initiative (MURI) program with funding for a three-year project to strengthen Australian university research capacity, skills and global networks. MURI is a competitive grant opportunity sponsored by the United States Department of Defense. The initiative supports university research involving mixed disciplines in science and engineering within a range of topics that have high potential for offering future defence capability.
- Target audience: AUSMURI is open only to Australian universities involved in a successful MURI submission on a designated topic.
- Funding: Grant funding covers full eligible project costs up to a maximum of \$1 million per year for three years. Grants may be extended for a further two years and with additional funding of up to \$1 million per year if a grantee has been approved for a MURI extension.
- Eligibility criteria: To be eligible for AUSMURI, the applicant must have an approved submission under the US MURI program.
- <https://www.business.gov.au/grants-and-programs/us-australia-international-multidisciplinary-university-research-initiative-ausmuri>

Next Generation Technologies Fund

- Aim: Supports research in emerging and future technologies, including technologies that may be delivered more than 10 years into the future, by engagement a range of research partners, individually or in teams, from start-ups to primes and national research organisations.
- Opportunities for businesses under the NGTF include the Defence Industry Competitive Evaluation Agreement (ICERA) and Small Business Innovation Research for Defence (SBIRD) initiatives, among others, as outlined below.
- Target audience: Australia's defence industry and innovation sector – industry, universities and research agencies.
- Funding: \$1.2 billion over the decade to 2030, dispersed through a mixture of grants and procurements.
- Eligibility criteria: Open to all entities with a valid ABN or a New Zealand Business Number.
- <https://www.dst.defence.gov.au/NextGenTechFund>

Defence Industry Competitive Evaluation Research Agreement (ICERA)

- Defence Science and Technology Group (DST), through its NGTF program, is seeking research and development proposals from Australian SMEs to contribute to Australian Defence Force Capability. Up to \$6 million may be awarded to the Defence SME sector as part of this initiative.
- The NGTF is looking for innovative proposals from agile SMEs that are able to adapt to current national and international circumstances to help contribute to Defence's innovation agenda. As an example, applicants may propose to develop and validate next generation concepts or evolve existing technologies to deliver leap ahead capabilities.
- Funding up to \$300,000 ex. GST per proposal will be provided for projects up to 18 months in duration.
- Proposals that are consistent with the objectives of the following NGTF Science & Technology themes and best address the NGTF priorities and problem statements will be considered for funding.
- <https://www.dst.defence.gov.au/icera>

Small Business Innovation Research for Defence (SBIRD)

- Defence Science and Technology Group (DST), through its NGTF program, is seeking small to medium sized enterprises (SMEs) to work on research projects aligned with defence priorities.
- Projects may relate to specific challenges identified by Defence, or have a broader scope across an emerging technology field with potential for contributing ground-breaking developments in defence capability.
- Funding up to \$100,000 ex. GST per proposal will be provided for projects for up to nine months.
- <https://www.dst.defence.gov.au/NextGenTechFund/small-business-innovation-research-defence>

Defence Cooperative Research Centres

- Defence Cooperative Research Centres (CRCs) create research centres that bring together small to medium businesses, academia and publicly funded research agencies to research priority technologies for future Defence capability.
- The Defence CRC program is part of the Next Generation Technologies Fund. Each Defence CRC is focused on a high-priority next generation technology with the potential to have a game-changing effect on Defence capabilities.
- Through Defence CRCs, Defence seeks to link industry, particularly small to medium enterprises, with academia and DST scientists to create vibrant collaborative research and innovation networks focusing on Defence capability outcomes.
- <https://www.business.gov.au/grants-and-programs/defence-cooperative-research-centresprogram>

Defence Innovation Hub

- Defence Innovation Hub is receiving more than \$800 million over the next decade to invest in innovation contracts with Defence industry. Further information, including details on how to apply, can be found at:
- <https://www.business.gov.au/cdic/innovate-in-defence/innovation-opportunities-and-priorities>

EXPORTS – ASSISTANCE AND ADVICE

Australian Defence Export Office (ADEO)

The ADEO is the focal point for coordinating whole-of-government defence export support for Australian defence industry.

How Government can help you

- Participation at international trade shows with Team Defence Australia.
- Targeted international trade missions (subject to travel and border restrictions).
- Inclusion in the Australian Military Sales Catalogue.
- Government-to-government sales, gifting and transfer of equipment.
- Defence Global Competitiveness Grants to overcome export barriers.
- Defence Export Facility loans (administered by Export Finance Australia).
- High-level advocacy for Australian defence industry exports.
- Australian Defence Export Advocate support, including international advocacy.
- An international network of Business Development Managers and Defence Attachés.

Contacts

- Australian Defence Export Office
 - Email: aust.deo@defence.gov.au
- Defence Export Controls
 - Email: exportcontrols@defence.gov.au
 - Phone: 1800 662 066 or +61 2 6266 7222

Supporting global defence projects

Export Finance Australia provides financial expertise and solutions to support Australian defence exports across a range of sectors including **advanced manufacturing, engineering** and **software**.

Through our loans, guarantees and bonds we enable SMEs and defence primes to take on export opportunities.

What is a defence export?

A defence export is any defence-specific or dual-use good or service exported by the Australian defence industry to a national security end-user overseas.

What businesses can Export Finance Australia support?

As Australia's export credit agency, we have a track record of helping Australian defence exporters across air, land, sea and cyber domains to help them win defence contracts overseas.

OUR CRITERIA

The transaction must meet the following for us to provide our solutions:



Australian Benefit

Have the necessary level of Australian benefit



Commercial

Be commercially viable



Approvals

Have the required defence export permit or in-principle approval from Defence Export Controls

If the transaction meets these requirements but is not suitable for Export Finance Australia's Commercial Account, it may be referred to the Government's Defence Export Facility.



Delivering benefits to Australia

For us to support Australian companies in global defence supply chains, there must be an Australian benefit (this could be a future or indirect benefit).

Australian benefits can include:

- Australian content (goods or services) in a project
- greater Australian participation in international supply chains
- access to new markets or export opportunities for Australian businesses
- more Australian jobs
- payment of dividends or other financial proceeds from overseas to Australia
- new research and development expenditure in Australia
- Australian access to new products, intellectual property or technology.

The level of finance we can provide is linked to the level of Australian benefit in a project.



Critical minerals resources and related infrastructure projects are also eligible for finance through the Defence Export Facility.



The Government's Defence Export Strategy

In 2018, the Australian Government launched the Defence Export Strategy to help the defence industry achieve greater export success.

The Strategy aims to build a stronger, more sustainable and globally competitive Australian defence industry to support Australia's capability needs.

End-to-end support

It brings government and industry together to provide end-to-end support for defence exports. This ranges from building export readiness to identifying export opportunities, providing finance and, ultimately, realising export outcomes.



How we support the Defence Export Facility

As part of the Defence Export Strategy, we administer the US\$3 billion Defence Export Facility.

Finance available

This Facility gives the Australian defence industry the confidence to seek new direct export and supply chain contracts, knowing there is a source of finance available. It also allows us to better help businesses receive the finance they need to grow internationally.

"With these large orders, maintaining cash flow throughout can be a challenge, and that's where the assistance of Export Finance Australia and our bank has been invaluable."

Mark Scherrer,
Managing Director, Ferra Engineering

CUSTOMERS WE'VE HELPED

A W Bell

A W Bell is a family-owned metal casting and precision engineering business that has grown to become a major supplier to the automotive and defence sectors.



Opportunity:

A W Bell needed working capital to fulfil a contract to supply parts for the sensory system of the new F-35 Joint Strike Fighter aircraft.

HOW WE HELPED

US\$375,000

We provided a loan to help A W Bell fulfil its contract with a large US defence prime contractor to establish a platform for future growth.

CEA Technologies

CEA Technologies (CEA) is a manufacturer of world class radars as well as advanced antenna and communications solutions for civil and military applications.



Opportunity:

CEA needed finance to construct an additional manufacturing facility to meet expected growth in export orders and domestic programs.

HOW WE HELPED

A\$90million

We provided a loan through the Defence Export Facility to help CEA build their facility and expand their operations in Canberra.

Ferra Engineering

Ferra Engineering (Ferra) manufactures and assembles complex aerospace structures and subsystems for commercial and military aviation, as well as other defence industries.



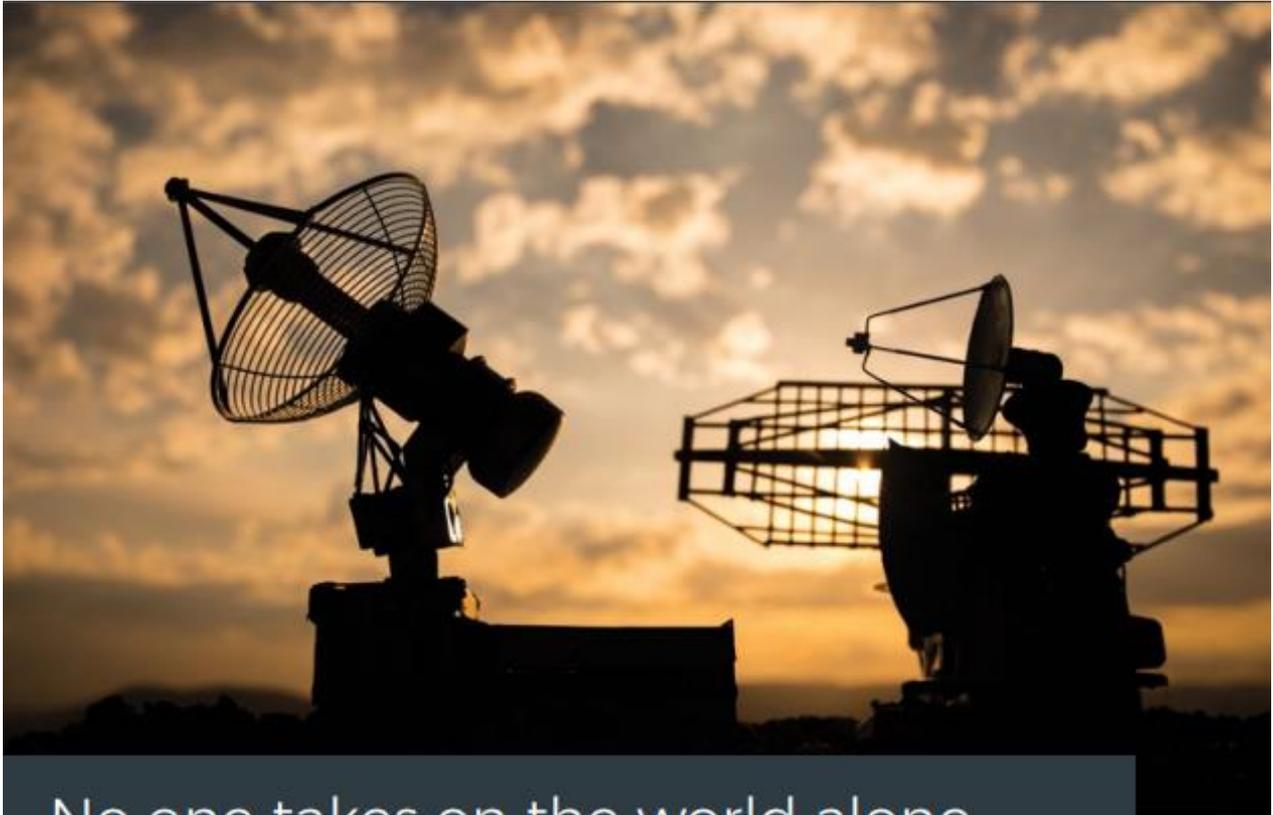
Opportunity:

Ferra needed working capital to pay for the substantial upfront costs of materials and labour to deliver a contract with Lockheed Martin.

HOW WE HELPED

A\$2.7million

We provided a guarantee to Ferra's bank, enabling them to access finance to manufacture weapons bay adaptors for the F-35 Joint Strike Fighter Program.



No one takes on the world alone.

Support is available from our partners

Austrade

Austrade advises and supports exporters across a wide range of sectors relating to infrastructure, cities and transport, connecting them through their global network with potential opportunities, partners and customers in international markets. Areas of specific focus include services and technology relating to urban planning and development, smart cities, water, urban mobility and intelligent transport systems, rail, logistics and international development.

For more information visit austrade.gov.au



Australian Defence Export Office

The Australian Defence Export Office (ADEO) is a key initiative of the Defence Export Strategy. The ADEO works with Australian defence industry to achieve export success. It is the focal point for coordinating whole-of-Government export support, ensuring Australian defence industry can meet Australia's defence capability needs now and into the future.

The ADEO tailors assistance to Australian companies on a case-by-case basis, providing a targeted level of support across all stages of a company's export journey.

For more information, visit defence.gov.au/export/office



Export Finance Australia

For more information on how we could support your business, contact us on:

-  1800 093 724
-  info@exportfinance.gov.au
-  exportfinance.gov.au/defence

export
finance
australia

BUDGET 2020-21

Temporary full expensing will apply to around **\$200 billion** worth of investment

Business tax incentives to support investment and job creation

The Government is supporting Australian businesses to invest, grow and create more jobs through targeted tax incentives.

Business investment will support Australia's short term economic recovery and longer term productive capacity and wage growth. Investment in new technology and new ways of operating will help firms adapt to the structural changes induced by COVID-19.

Temporary full expensing

The Government is providing a temporary tax incentive to support new investment and deliver significant cash flow benefits to businesses.

It will be available to around **3.5 million businesses (over 99 per cent of businesses) that employ around 11.5 million workers.**

The incentive will apply to around \$200 billion worth of investment, including 80 per cent of investment in depreciable assets by non-mining businesses.

From 7:30pm (AEDT) on 6 October 2020 until 30 June 2022, businesses with turnover up to \$5 billion will be able to deduct the full cost of eligible depreciable assets of any value in the

year they are first used or installed ready for use. The cost of improvements made during this period to existing eligible depreciable assets can also be fully deducted.

Full expensing supports businesses that invest as it significantly reduces the after-tax cost of eligible assets, providing a cash flow benefit. The measure also creates a strong incentive for businesses to bring forward investment before it expires. Full expensing builds on the enhanced instant asset write-off and the accelerated depreciation previously announced through the Backing Business Investment Incentive.

Eligible businesses that acquire eligible new or second-hand assets under the enhanced \$150,000 instant asset write-off by 31 December 2020 will also have an extra six months, until 30 June 2021, to first use or install those assets.

Full expensing will stimulate investment from its announcement, supporting economic activity in 2020-21 and onwards until the measure concludes. This measure is estimated to deliver \$26.7 billion in tax relief to businesses over the forward estimates period, and \$3.2 billion over the medium term.

Temporary loss carry-back

The Government will also allow companies with turnover up to \$5 billion to offset tax losses against previous profits on which tax has been paid to generate a refund. Loss carry-back will be available to around 1 million companies that employ up to 8.8 million workers.

Losses incurred in 2019–20, 2020–21 and/or 2021–22 can be carried back against profits made in or after 2018–19. Eligible companies may elect to receive a tax refund when they lodge their 2020–21 and 2021–22 tax returns.

This measure will help companies that were profitable and tax-paying but now find themselves in a loss position due to the COVID-19 pandemic. By allowing them to access their losses earlier, by way of a cash refund, it will provide a needed cash flow boost to keep

their business running, retain their workers and invest with confidence in the future. Loss carry-back will also promote investment by encouraging more businesses to take advantage of full expensing while it is available.

This measure is estimated to deliver \$4.9 billion in tax relief to businesses over the forward estimates, and \$3.9 billion over the medium term.

Supporting Australia's economic recovery

Treasury estimates that the temporary full expensing and the temporary loss carry-back measures will create around **50,000 jobs** by the end of 2021–22. They will **boost GDP by around \$2.5 billion** in 2020–21 and **\$10 billion** in 2021–22.

Jamie owns a coffee bean wholesaling company, Jamie's Coffee Pty Ltd, which has an aggregated annual turnover of \$51 million. In 2018–19, Jamie's Coffee Pty Ltd made a tax profit of \$5 million and paid \$1.5 million in income tax.

Due to the impact of COVID-19 restrictions on customer demand and its ability to trade, Jamie's Coffee Pty Ltd makes a tax loss of \$2 million in 2019–20.

Under the treatment of losses in current law, Jamie's Coffee Pty Ltd would carry these losses forward until it made a taxable profit. Under temporary loss carry-back, when the company lodges its 2020–21 company tax return, it will receive a tax refund of \$600,000 in recognition of this loss and tax paid in 2018–19.

Continuing into 2020–21, reduced trading means Jamie's Coffee Pty Ltd makes another tax loss of \$500,000. The company paid sufficient tax in 2018–19 to also offset the loss from 2020–21 resulting in a further refund of \$150,000.

Jamie's Coffee Pty Ltd uses its \$750,000 refund to help it to stay in business and retain its employees, and support the transition back to business as usual.



Attracting and rewarding further investment

Modernising and expanding Australia's tax treaty network

The Government will support the recovery from COVID-19 by modernising and expanding our tax treaty network to eliminate double taxation, settle taxing rights between Australia and other countries and attract foreign investment and skilled workers.

Tax treaties benefit both businesses and individuals. They provide greater certainty for international transactions, lowering the cost of doing business overseas. They also provide relief from double taxation to attract skilled foreign workers to Australia.

Reducing tax barriers will promote trade and investment. By attracting foreign investment and skilled workers, treaties raise productivity, creating better jobs and supporting higher incomes.

This initiative will also prioritise refurbishing Australia's treaties with key strategic partners where necessary to maximise the benefits for Australia's economy.

Supporting business research and development

The Government will enhance previously announced reforms to invest an additional \$2 billion through the Research and Development Tax Incentive (R&DTI).

For small claimants (turnover less than \$20 million), the Government will increase the refundable R&D tax offset to 18.5 percentage points above the claimant's company tax rate, and there will be no \$4 million cap on annual cash refunds.

For larger claimants, the Government will streamline the intensity test from three to two tiers and increase the non-refundable R&D tax offset rates. The new rates will be the claimant's company tax rate plus 8.5 percentage points for initial R&D expenditure up to 2 per cent R&D intensity, and 16.5 percentage points for R&D expenditure above 2 per cent R&D intensity.

The Government will also proceed with the increase in the cap on eligible R&D expenditure from \$100 million to \$150 million per annum.

These changes apply from 1 July 2021 and will support more than 11,400 companies that claim the R&DTI.

Supporting business research and development

Small claimants (annual turnover less than \$20 million)

- ✓ Refundable tax offset of the company tax rate plus **18.5 per cent**
- ✓ **No cap** on cash refunds

Larger claimants (annual turnover of \$20 million or more)

- ✓ **Streamlined** two-tiered intensity test
- ✓ Non-refundable tax offset of the company tax rate plus:
 - **8.5 per cent** for R&D expenditure between 0 and 2 per cent R&D intensity; and
 - **16.5 per cent** for R&D expenditure above 2 per cent R&D intensity

All claimants

- ✓ Eligible R&D expenditure threshold increased from \$100 million to **\$150 million** per annum
- ✓ Improvements to the administration, integrity and transparency of the R&D Tax Incentive
- ✓ Changes apply from 1 July 2021

JobMaker Hiring Credit – \$4 billion

- Payable for up to 12 months for each new job.
- Available immediately to hire eligible employees aged 16-35 years.
- \$200 per week for those aged 16-29 and \$100 per week for those aged 30-35 (paid quarterly arrears).
- Employees must work a minimum of 20 hours per week.
- All businesses are eligible (except major banks).
- Treasury estimates it will support about 450,000 jobs.
- <https://www.ato.gov.au/General/New-legislation/The-Australian-Government-s-economic-response-to-coronavirus/JobMaker-Hiring-Credit/>

Supporting new apprenticeships

- The \$1.2 billion Boosting Apprenticeship Commencements wage subsidy will support the next generation of skilled workers – about 100,000 new apprentices.
- There is a 50 per cent wage subsidy for all businesses that take on new apprentices between 5 October 2020 and 30 September 2021.
- It is capped at \$7,000 per quarter for gross wages for new apprentices and trainees.
- This is in addition to the already operating \$2.8 billion Supporting Apprentices and Trainees package for existing apprentices and trainees, which is now expected to support 90,000 employers to keep 180,000 apprentices and trainees in employment and training.
- <https://www.business.gov.au/Risk-management/Emergency-management/Coronavirus-information-and-support-for-business/Boosting-Apprenticeship-Commencements>

ADDITIONAL SUPPORT MEASURES FROM GOVERNMENT

Information on other industry grants and support can be found at:

- Grant Connect search module
 - <https://www.grants.gov.au/Go/List>
- Advanced Manufacturing funding and support programs
 - <https://www.industry.gov.au/funding-and-incentives/supporting-advanced-manufacturing>
- Entrepreneurs' Programme - Accelerating Commercialisation grants
 - <https://www.business.gov.au/Grants-and-Programs/Accelerating-Commercialisation>
- Co-operative Research Centres
 - <https://www.industry.gov.au/funding-and-incentives/cooperative-research-centres>
- Business Grants Hub Service
 - <https://www.industry.gov.au/data-and-publications/business-grants-hub-service-offer-and-catalogue>