



Real Estate Institute of Australia
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REAL ESTATE INSTITUTE OF AUSTRALIA

SUBMISSION to THE SENATE ECONOMICS LEGISLATION COMMITTEE'S *INQUIRY INTO MINERALS RESOURCE RENT TAX REPEAL AND OTHER MEASURES BILL 2013*

BACKGROUND

The REIA is the peak national association for the real estate profession in Australia.

The REIA's members are the State and Territory Real Estate Institutes, through which around 75% of real estate agencies are collectively represented. The 2011 Census records the Rental, Hiring and Real Estate Services Industry employment sitting at a total of 117,880. By occupation the key data recorded by ABS Census were 64,699 Business Brokers, Property Managers, Principals, Real Estate Agents and Representatives.

The REIA represents an important element of the broader property and construction sector which together makes a significant contribution to Australia's social climate and economic development. Property contributes \$300 billion annually in economic activity.

Importantly, REIA represents an integral element of the small business sector. Some 99% of real estate agencies are small businesses and 11% of all small businesses in Australia are involved in real estate. Only 0.6% of businesses employ 50 or more persons.

INTRODUCTION

REIA welcomes the opportunity to make a submission to the Senate Economics Legislation Committee Inquiry on the Minerals Resource Rent Tax Repeal and Other Measures Bill 2013.

DISCUSSION

The REIA wishes to make comment on the consequences of the repeal of the Mineral Resources Rent Tax (MRRT) on small business through the simultaneous repeal of a number of tax measures that the MRRT was intended to fund – namely accelerated vehicle depreciation, changes to the capital depreciation allowances for small business entities and the creation of a loss carry-back regime for companies.

With taxes being a major constraint, an environment that promotes investment is crucial to the long term viability of small business particularly when the message from Australia's economic indicators is mixed and the outlook remains fragile.

The September 2013 edition of the ACCI Small Business Survey shows most indices of small business trading conditions continued to deteriorate in the September quarter and remain well below the 50 mark which separates expansion from contraction. The survey shows that all indicators, except labour costs, have been contractionary since the global financial crisis and show little sign that they have bottomed out.

The survey also found that business taxes and government charges continued to constitute the top barrier to investment for small businesses for the eleventh successive quarter.

It is against this background that the proposal to remove an estimated \$2.3 bn over three years by repealing the instant asset write-off threshold from \$6,500 to \$1,000, a further \$450 million over three years from discontinuing the vehicle accelerated depreciation (from an immediate claim up to \$5,000 as a deduction for motor vehicles to being subject to the same rules as other depreciating assets) and \$950 m over three years from discontinuing company loss carry-back should be considered.

These proposals will have a major detrimental impact on real estate agencies, their employees and, in general, all small businesses. For real estate agencies cars are a major part of conducting business and the asset base. The proposed repeal of the accelerated depreciation provisions will see a reduction in cash flow and a reduced turnover in motor vehicles with the consequent impacts on the local vehicle industry. The consequences on the turnover of computers and other office equipment will be similar.

The REIA whilst fully cognisant of the Government's pledge to return to a surplus budget asks that the repeal of the small business tax measures associated with the MRRT are not proceeded with as the impact on small business and the broader economy will be detrimental to Australia's economic recovery.

RECOMMENDATION

The REIA recommends that the Federal Government not proceed with the repeal of accelerated vehicle depreciation, changes to the capital depreciation allowances for small business entities and the creation of a loss carry-back regime for companies associated with the repeal of the Mineral Resources Rent Tax.

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