



Committee Secretary
Senate Standing Committee on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

Export Market Development Grants Legislation Amendment Bill 2020

SUBMISSION – and Proposal

We would like to submit the following submission and proposal as an alternative to the proposed Export Market Development Grants Legislation Amendment Bill 2020.

There was virtually no consultation with experienced exporters or marketing grants professionals in formulating the proposed Legislation Amendment Bill.

We believe that the changes proposed by this bill are poorly formulated in many ways and will limit the effectiveness of the Export Market Development Grants (EMDG) scheme, going forward.

However, we also believe that a fundamental review and changes to the existing EMDG scheme should be undertaken. The existing scheme is cumbersome and inefficient. It provides limited appeal and could be leveraged much better.

It would serve exporters and the Australian economy well to adopt our proposed changes. Our alternative proposal is described below.

A Simple proposal

The existing EMDG scheme should become a Tax Incentive scheme, administered by Austrade in coordination with AusIndustry. It should be paid as a tax incentive through the tax system – by the ATO.

This Export Marketing Tax Incentive (EMTI), where export marketing expenditure is subject to 50% tax deductibility uplift. It would provide a tax offset and become rebatable in loss scenarios.

The EMTI would:

- Change the scheme from being an assessable reimbursement to an increased tax deduction (like the R&D Tax Incentive), as shown by the table below.
- Mandate Export Marketing Projects approvals and use defined “eligible expenditure”
- Limit access to companies with less than \$20M turnover.
- Simplify and reduce the administrative burden on exporters. The ATO would administer as self-assessment, as with the rest of the taxation and rebates system.
- Use existing legal framework of R&D Tax Incentive, to avoid duplication - e.g. tax related entities to be subject to same rules as R&D.
- Allow internal Export Marketing employee costs to be claimed.

ABN 72 003 423 041

www.vebiz.com.au



- Use only accredited Tax Agents for preparation of Export Marketing Tax Incentive applications and schedules. There would be no duplication of accreditation schemes and R&D.
- Reduce existing duplication of administration and related costs – to run in coordination with the R&D Tax Incentive.
- Remove export performance tests - this tax incentive is for marketing; not sales.
- Remove any limit on the number of claims – this grant is about promoting expenditure on Export Marketing; just as the R&D Tax Incentive is about promoting expenditure on R&D.
- Remove individual limits on expenditure categories.
- Increase the limit on eligible expenditure to \$400,000.
- Rationalise all other Export incentive payments from Commonwealth and State government programs.

This will provide a lower rate of benefit or reimbursement of costs than EMDG – but there will be potential to assist many more, smaller businesses with an equivalent budget allocation. It would support a greater overall spend on export marketing, with the same budget expenditure.

It will be easier to access and administer. There will be greater incentives small business as they will find it much easier to access. They will be much more aware and focused on exports.

Comparison of the net benefit on expenditure to export companies of the proposed EM Tax Incentive and the EMDG (expense reimbursement) model is:

Which is better?			
	EMDG Existing	Export Tax Incentive	Improvement change
Typical applicant spend	\$ 100,000	\$ 100,000	\$ -
Tax deductibility uplift		43.5%	
Refund - assessable	50%		
Tax Rate	27.5%	27.5%	
After Tax Benefit %	36.25%	11.96%	
Benefit Value	\$ 36,250	\$ 11,963	
Annual Budget	\$ 200,000,000	\$ 200,000,000	
Number of Claimants	5,517	16,719	11,202
Value of claimed Market expenditure	\$ 551,724,138	\$ 1,671,891,327	\$ 1,120,167,189
Benefit to ALL Claimants	\$ 200,000,000	\$ 200,000,000	
Annual Claimants @ avg \$100K spend	5,517	16,719	11,202
This modelling does not reflect the actual spending values or numbers for EMDG.			
Conclusions: By changing the EMDG to a tax incentive, similar to the R&D Tax Incentive; we can more than triple the number of beneficiaries and the value of expenditure, with the same budget allocation.			



The Export Marketing Tax Incentive would be available to a much broader number of applicants. It would be available to many more, SME Australian Businesses. The scheme would provide real incentive to SME businesses to actively export, with a rebatable tax offset.

This is a simple and effective policy to apply and to implement.

The existing, compliance and accounting driven, scheme would be replaced with a simple tax-incentive package (and supportive project management structures) that will change the culture of exporting to become part of many more Australian businesses.

Some of the legacy systems, people and procedures of the old EMDG scheme may be utilised in this more effective, broad ranging scheme including coordinating programs development, transparency and a sophisticated business approach to globalisation of Australian business.

The challenges to Australian business, precipitated by the economic lockdowns associated with the Corona Virus of 2019 (COVID-19) require the Australian government to emphasize the importance of private enterprise and business:

Empowering and enabling Australia's Exporters:

- Export Marketing Tax Incentive (EMTI).
- Export Marketing Project Framework (EMPF).

Our recommendations will empower and enable the SME sector to develop export activities, without seeking approval from subjective government committees but within well-documented and detailed Export Marketing Project Framework rules to determine eligibility of Export Marketing Activities.

Our proposed changes will constitute a major improvement in the incentive to export. They will empower and enable exporters. The Export Marketing Tax Incentive should enable and empower rather than control and limit exporters.

We believe that our proposal is much better policy than both

- the existing EMDG scheme or
- the proposed arrangements of the Export Market Development Grants Legislation Amendment Bill 2020.

We would be delighted to elaborate on the vision of an Export Marketing Tax Incentive (EMTI).

Yours sincerely,

P.O. Box 223 Forestville NSW 2087

cc.:

The Prime Minister - Mr. Scott Morrison



The Treasurer - Mr. Josh Frydenberg
Minister for Finance - Mr. Mathias Cormann
Minister for Industry, Science and Technology - Ms. Karen Andrews
Minister for Trade & Investment - Mr. Simon Birmingham
Minister for Small Business - Mr. Damien Tudehope
Senator for Victoria, David Van
Shadow Minister for Small Business & Member for Brand, WA – Ms Madelaine King

CEO Export Council of Australia
