Inquiry into the Treasury Laws Amendment (Support for Small Business and Charities and Other Measures) Bill 2023 [Provisions].

NECA SUBMISSION

October 2023

national electrical and communications association

Introduction

NECA has advocated on behalf of the electrotechnology industry for over 100 years and helps its members and its industry to operate in an efficient, safe, and regulatorily compliant manner.

NECA represents the interests of electrical and communication businesses to all levels of government and in regulatory, legislative and industry development forums. It is also a foundation member of the Australian Chamber of Commerce and Industry (ACCI).

NECA members are predominately small business electrical and communications subcontractors and will be directly impacted by two components of this Bill in very significant ways.

NECA members will also be critical to delivering the Federal Government's '*Powering Australia Plan'* which schedule 2 of this legislation is supporting.

NECA members make an essential economic contribution – connecting businesses, homes, and infrastructure – encouraging investment, improving reliability and energy security, and delivering affordable, environmentally sustainable outcomes. The safety and reputation of the electrical industry is critical to tradespeople, consumers, and the community.

The membership of NECA will be critical in delivering and servicing the infrastructure required.

NECA will also play an integral role in the development of the next generation of Australia's electrical and communications tradespeople and contractors to deliver the Federal Government's policies in this critical area. Through its associated Group Training Organisations (GTOs) and Registered Training Organisations (RTOs), NECA offers employment and trade training to some 4,800 apprentices nationally.

Our success is clear NECA GTO's and RTO's boasts a consistent minimum 90% apprenticeship completion rate, compared to the national average of just 55%. Our female participation in apprenticeships sits above 15% against an industry average of less than 5%.

NECA wishes to provide feedback to both *Government and the Parliament on the Treasury Laws Amendment (Support for Small Business and Charities and Other Measures) Bill 2023* (the Bill).

We welcome the opportunity to do so, and at such a critical time for the electrotechnology and construction sectors.

As we understand, the amendments to the Bill modifies the *Income Tax (Transitional Provisions) Act 1997* to increase the instant asset write-off threshold from $1,000 to $20,000 for the 2023-24 financial year; and provide small and medium businesses with access to a bonus tax deduction for the 2023-24 financial year relating to electrification and more efficient energy use.

It is NECA's policy position that reforming the tax system will allow Australia to maximise opportunities for lifting long- term economic growth. Tax reform will require federal, state and territory governments to collaborate on, agree and implement structural tax changes that remove barriers and increase incentives for individuals and businesses to engage in economic activity and seize opportunities.

Comprehensive tax reform to support federal and state budgets, while addressing distributional impacts and promoting economic growth, will take time, effort and political courage, and all levels of government should commit to the challenge.

Australian businesses need a system that delivers incentives to make it globally competitive, stimulates investment in research and development, and supports it to become more efficient and productive.

NECA members have seen significant increases in the costs for project delivery whilst also addressing the highly regulated and complex nature of the industry, are currently under significant pressures as a result of increasing regulatory complexity, rising business costs and worker shortages.

Any support that can be provided to assist in alleviating these pressures is welcomed.

NECA members and our technical staff with their extensive experience in the electrical and communication industry understand the intricacies of energy-efficient technologies and practices.

Our members have a deep knowledge of the latest advancements in the field, enabling them to create tailored and cutting-edge solutions for businesses seeking to enhance their energy efficiency.

NECA's commitment to industry excellence is underscored by our continuous training and professional development programs for our members and the industry, ensuring that our industry is at the forefront of industry's best practices.

NECA will place its emphasis within this submission primarily on Schedule 1 and 2.

In general, and regarding Schedule 1 and 2 NECA is in support of these amendments and recommends areas of improvement specific to the electrotechnology, construction and renewable sector.

Schedule 1- Instant asset write-off for small business entities

Overview

The intent of the proposed amendments is to extend the instant asset write-off at an increased level for an additional 12 months.

Without this extension, assets valued above $1,000 purchased after 1 July 2023 are to be depreciated in accordance with the ATO prescribed depreciation rules and rates.

NECA has consistently requested the permanency of the instant asset write-off for small business entities and indeed supported the extension to medium sized enterprises and continues this policy recommendation to government with further recommendations to expand this.

NECA's position

Increase instant write-off against tax to $50,000 for Small and Medium Enterprises

Provisions enabling the instant write-off against tax of new asset purchases by small and medium sized business should be set at $50,000.

NECA members are primarily categorised as Australian owned small and medium-size enterprises.

Setting the instant write-off threshold for small and medium-sized businesses at $50,000, rather than $20,000, is crucial as high-tech equipment used to analyse and test communications and electrical work often exceeds $10,000, and other hardware/plant used in installation processes can be considerably more. A higher threshold would enable SMEs to immediately recover a more significant portion of their capital investments.

This not only supports their financial stability but also encourages them to invest in advanced equipment, enter growing markets, diversify, and ultimately foster technological progress and innovation.

Increased thresholds for eligible businesses, will further stimulate the economy and support job creation.

Increase the Instant Asset Write-off Value for the renewables sector

The Albanese Government has committed to reducing emission in Australia by 43% by 2030 and significantly upgrade transmission infrastructure, invest in solar banks, install community batteries to achieve renewables comprising 82% of power generation in Australia's national electricity market by 2030.

This requires a huge investment by the whole sector and for small and medium-sized enterprises to compete and participate in this once in a lifetime opportunity, they will be required to significantly invest to deliver and compete for these works.

The instant write-off provisions can be a potent tool for stimulating the diversification and growth of the renewable energy sector.

SMEs often face resource constraints that can impede their ability to make substantial investments in the latest expensive technologies and equipment, which in many cases will exceed $20,000.

By enabling instant write-offs against tax for new assets, these businesses can more readily access the necessary tools and equipment to enter the market and/or remain competitive.

This, in turn, drives innovation, fosters competition, and ultimately leads to lower costs for renewable energy solutions.

Provisions allowing for instant tax write-offs on new asset acquisitions, particularly for small and medium-sized enterprises (SMEs) in the renewable energy sector, have the potential to incentivise a greater number of companies to venture into this industry.

The electrotechnology and renewable energy sector holds a central role in the Federal Government's pursuit of its renewable energy targets.

Facilitating increased write-offs for their capital investments in new assets not only encourages the integration of cutting-edge renewable technologies but also alleviates financial burdens, making it more appealing for businesses to enter this sector.

By doing so, it will not only promote the diversification and growth of the renewable energy sector but also bolster the competitiveness of SMEs, leading to more accessible and affordable renewable energy solutions.

Furthermore, instant write-off provisions can act as a powerful mechanism for stimulating the entry of new companies into the renewable energy domain.

SMEs frequently confront resource limitations that can hinder their capacity to make substantial investments in state-of-the-art technologies and equipment.

Enabling immediate write-offs against tax for new assets will ease their access to expensive yet essential tools and equipment, thereby reducing barriers to entry and promoting innovation.

This, in turn, fosters healthy competition, resulting in reduced costs for renewable energy solutions.

Instant write-off provisions for SMEs in the renewable energy sector represent a strategy that can stimulate more companies to enter this sector, which not only advances environmental sustainability but also propels economic growth and energy security.

NECA would recommend that a factor of 2.5 be applied to the final instant asset right of value legislated for small and medium-sized enterprises be introduced to incentivise investment in the electrotechnology and renewable sector.

Legislate to ensure the Instant Asset Write-off is Permanent

Provisions enabling the instant write-off against tax of new asset purchases by small business should be made permanent.

This initiative is a potent aid for small businesses, for example when seeking to retool, expand, or replace existing plant and equipment.

NECA strongly believes the benefits in terms of economic activity and GDP and/ or employment growth this initiative generates more than justifies the cost to the Commonwealth budget, and the measure should simply be made permanent by the Federal Government.

Schedule 2- Small Business Energy Incentive

Overview

The incentive is designed to provide support to businesses whose combined annual revenue does not exceed $50 million, aiming to facilitate the adoption of energy-related improvements in their business operations.

Small and medium-sized enterprises falling within this revenue limit will be eligible for a 20 percent deduction on qualified assets, up to $100,000 in total expenditure, with the highest allowable tax deduction capped at $20,000.

NECA's position:

Increase or extend the incentive's endpoint by three years

In many cases, the eligible expenditure entails more than a simple equipment upgrade.

Such technical and capital-intensive installations require comprehensive planning, design and evaluation by the consumer, supplier and installer.

With these assumptions, a sub-12-month incentive duration falls short, as it does not provide sufficient time for businesses to access the appropriate advice to plan, design, finance, install, and commission energy upgrades.

This limited window may inadvertently incentivise minor installations with marginal impact, lack of research low quality, or inefficient implementations.

NECA strongly recommends extending the incentive's endpoint by three years to grant businesses ample time to not only capitalise on its benefits, but ensure rigorous analysis of the benefits both social and financial while ensuring a robust and well considered investment.

NECA also proposes the development of guidance materials that underscore examples of eligible expenditure to ensure the electrotechnology sector, installers and the community are aware and comply with the intention of this incentive.

Recognising that the energy transition demands ongoing support, it is imperative to extend the focus beyond the proposed deadlines.

A comprehensive, long-term strategy, encompassing incentives, capacity-building and when necessary, product standards or regulations, is essential.

Such a strategy would establish a continuous framework to drive investments in high-quality electrification and energy efficiency upgrades across the business landscape.

The incentive is set to expire on in June 2024, and this truncated timeframe places undue constraints on eligible businesses, impeding their ability to fully harness the intended benefits of the incentive.

Increase the maximum allowance tax deduction cap to $50,000

Increasing the maximum allowable tax deduction cap from $20,000 to $50,000 holds significant merit in promoting energy efficiency and supporting small and medium-sized enterprises (SMEs).

The current cap of $20,000, while beneficial, may not fully incentivise businesses to pursue more extensive energy-related improvements.

Many energy-efficient upgrades, especially in sectors such as renewable energy and advanced technology, often come with higher upfront costs.

By raising the cap to $50,000, businesses will have more financial room to invest in larger and more impactful energy projects.

This not only encourages the adoption of more comprehensive solutions but also empowers SMEs to make substantial progress towards greener and more sustainable practices, which is in alignment with broader environmental goals.

An increased cap of $50,000 reflects a more realistic assessment of the costs associated with modernising business operations for energy efficiency.

In many cases, the process of planning, design, implementation, and evaluation for major energy upgrades can be capital-intensive.

A higher cap recognises the financial commitment required to undertake these initiatives, thereby allowing SMEs to recoup a more substantial portion of their investments.

This, in turn, ensures that SMEs are better equipped to implement meaningful energy efficiency measures that can have a lasting impact on their environmental footprint and long-term cost savings.

By making this adjustment, the Federal Government can foster innovation, job creation, and long-term sustainability while encouraging businesses to fully embrace the transition towards cleaner and more efficient energy practices.

Additional Amendments

Summary and NECA's position

NECA will not be providing comment for Schedules 3 to Schedule 8.