24 October 2023

Mr Alan Raine,

Committee Secretary,

Senate Standing Committees on Economics

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Parliament House

Canberra ACT 2600

Uploaded submission to: Lodge my submission – Parliament of Australia (aph.gov.au)

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

The Institute of Public Accountants (IPA) welcomes the opportunity to make a submission in relation to Treasury Laws Amendment (Support for Small Business and Charities and Other Measures) Bill 2023 [Provisions]

The IPA is one of the three professional accounting bodies in Australia, representing over 50,000 members and students in Australia and in over 100 countries. Approximately three-quarters of the IPA's members work in or are advisers to small business and small to medium enterprises.

IPA will only be responding to specific schedules contained in the abovementioned Bill namely:

Schedule 1 - $20,000 instant asset write-off for small business entities
Schedule 2 - Small business energy incentive

In relation to Schedule 3 - Non-arm's length expenses of superannuation funds, the IPA will be joining other Professional Bodies in a joint submission to this inquiry in relation to this matter.

Our comments in relation to schedule 1 and 2 are as follows:

Increasing the instant asset write-off threshold for small businesses from $1000 to $20 000

The IPA is supportive of a higher asset write-off threshold for small businesses. Instant asset write-off brings forward the capital allowance deduction for tax purposes. This assists with cashflow for many small businesses undertaking the purchase of capital assets. The one particular aspect that creates constant frustration is the temporary nature of this tax concession. The higher threshold is only active for one year if the measure achieves Royal Assent. This constant tinkering with this important tax measure causes much consternation as eligible businesses do not have hindsight as to whether this initiative will be extended which is less than ideal from a planning perspective. Some asset purchases have long lead time frames for delivery which can mean that some businesses will miss out on the tax concession if an item of capital expenditure is ordered well before the end of the year but not delivered and ready for use until after the end of the financial year. The earliest indication of whether the Government will commit to a further extension is generally the May budget and at this point it relies on the passage of the measure been enacted without any certainty.

Introducing a Small Business Energy Incentive (SBEI) to encourage small and medium businesses to electrify their businesses

The incentive aims to support small businesses in adopting energy-efficient practices and technologies, reducing their carbon footprint and operating costs. Tax incentives are an important tool that influences behaviour. The IPA supports measures to incentivise SMEs to transition to electrification from fossil fuels, as well as energy-efficient assets or improvements that lead to more efficient energy use.

It encourages small businesses to adopt more energy-efficient practices, leading to reduced energy consumption and a smaller carbon footprint. For example, cafes and restaurants can switch from gas cooktops to more energy-efficient induction, while office-based businesses can upgrade outdated and inefficient equipment or install modern heating and cooling assets that are more energy-efficient than their older counterparts.

The SBEI continues the recent spate of measures that are good, but temporary in nature: The Skills and Training Boost, Technology Investment Boost and now, the SBEI. All these bonus deductions aimed at SMEs have good, intended policy objectives and are worthy of extended tax concessional treatment.

The utility of these measures extends beyond their limited legislative timeframe, and temporary measures serve to increase pressure on accounting professionals who must stay abreast of each new measure's eligibility criteria to maximise the incentives before they expire.

There is a list of exclusions that are ineligible for the bonus deduction. One that is disappointing to see is in relation to assets which have the sole or predominant purpose of generating electricity (such as solar panels). This seems at odds with the fact that batteries that store renewable energy are included in the bonus deduction. Many State-based energy incentives exclude small business participating in any subsidised cost of solar installation. Businesses should also be incentivised to reduce their energy bills by investing in assets that generate renewable energy.

If you have any queries or require further information, please don't hesitate to contact Tony Greco, General Manager, Technical Policy, either at [redacted] or mobile: [redacted]

Yours sincerely

[redacted]

Tony Greco,

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Institute of Public Accountants