



# Treasury Laws Amendment (Support for Small Business and Charities and Other Measures) Bill 2023

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Submission to the Economics Legislation Committee  
October 2023

## Introduction

The Australian Chamber of Commerce and Industry (ACCI) welcomes the opportunity to provide feedback on the Treasury Laws Amendment (Support for Small Business and Charities and Other Measures) Bill 2023 (the Bill).

Small business owners are currently under significant pressures as a result of increasing regulatory complexity, rising business costs and worker shortages. Any assistance that can be provided to assist in alleviating these pressures is welcomed.

ACCI and its members have a strong interest in two schedules of the Bill, namely Schedule 1 – \$20,000 instant asset write-off for small business entities, and Schedule 2 – Small Business Energy Incentive. While we largely support these measures, we believe that some improvements could be made to strengthen the benefits for small businesses.

Additionally, ACCI welcomes Schedule 6 of the Bill – Income tax amendments for updates to the accounting standard for general insurance contracts, which will alleviate misalignment between taxation laws and accounting standards for the insurance industry.

## Schedule 1 – \$20,000 instant asset write-off for small business entities

ACCI welcomes the extension of 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 would need to be depreciated over an extended period, following standard depreciation schedules.

Business investment is a catalyst for productivity growth and major driver of economic activity. It allows for the purchase of things such as new technologies, which boosts productivity through skills development and innovation. Greater investment in new

capital assets is needed to lift and sustain productivity growth and raise economic activity over the next decade.

Incentives aimed at encouraging investments from businesses, especially small businesses, are crucial, particularly at a time of slowing economic activity. Historically, initiatives like the instant asset write-off and similar programs have proven effective in stimulating this much-needed investment.

The instant asset write-off was first introduced in 2015, a time when business investment was weak, with annual growth of non-mining investment in machinery and equipment in the five years leading up to the COVID-19 pandemic (between 2014-15 and 2018-19) averaging less than 0.5 per cent per annum in real terms. This compares to an average of 9.5 per cent for the decade up to 2008-09.

This was exacerbated by the pandemic, with business investment in private new capital expenditure falling 10 per cent between the December 2019 and September 2020 quarters. However, by the December 2020 quarter, business confidence was showing signs of recovery and began building momentum, supporting a turnaround.

The recovery in business investment was driven in part by the Temporary Full Expensing (TFE) measure. The TFE was introduced in the October 2020 Budget to invigorate business investment and combat the decline experienced at the beginning of the pandemic. It was an extension of the instant asset write-off, enabling businesses with turnover of up to \$5 billion to claim an immediate tax deduction for the full cost of eligible depreciable assets in the year of purchase or installation. With the support of the TFE, non-mining business investment in eligible assets increased 39 per cent between the September quarter of 2020 and the December quarter of 2021, and remained elevated through 2022.

Given the success of the TFE, ACCI called for the extension of the measure to 30 June 2025 to continue to encourage investment, lift productivity performance and support economic growth. However, with the Government deciding to allow the TFE to sunset on 30 June 2023, a substantial fall in business investment is expected in 2023-24, which is likely to contribute to further slowing of the economy.

Productivity has been contracting over the past year, as demonstrated through recent data. The Productivity Commission's recent 5-year Productivity Inquiry report, 'Advancing Prosperity', found that in the decade to 2020, average annual labour productivity growth in Australia was the slowest in 60 years, falling to just 1.1 per cent.<sup>1</sup> Further to this, in the year to June 2023, ABS data indicates that productivity contracted 3.6 per cent.<sup>2</sup>

It is clear that ongoing support for businesses is needed to foster long-term economic growth. Although the extension of the increased instant asset write-off purports to do

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<sup>1</sup> Productivity Commission 2023, [5-year Productivity Inquiry: Advancing Prosperity](#), Inquiry Report no. 100, pg1.

<sup>2</sup> Australian Bureau of Statistics 2023, [Australian National Accounts: National Income, Expenditure and Product](#) 6 September 2023.

this, ACCI is concerned that the improved level of business investment incentivised by the TFE may not be sustained under the proposed write-off.

Limiting the eligible amount to \$20,000 may not be sufficient to generate the level of stimulus needed, with many assets exceeding this cost and therefore not eligible. While this amount may enable a small business to purchase small, short-lived assets such as a computer for an office or a fridge for a kitchen, it will not be sufficient for investment in equipment, plant and machinery, which are likely to provide more substantial productivity benefits.

ACCI urges the Government to increase the eligible amount to \$30,000, for businesses with an aggregated turnover of \$50 million on a permanent basis to promote the investment needed in line with the intent of the write-off, and to encourage businesses to bring forward investments on larger items that will provide a greater contribution to productivity growth.

ACCI notes an earlier iteration of the instant asset write-off applied a business size threshold of an aggregated turnover of \$50 million, which opened the incentive to medium-sized businesses as well. It would also bring this measure into line with the Small Business Energy Incentive, which is also included in the Bill. Expanding the size and accessibility of the write-off above the proposed \$10 million, to a level it has previously been, encourages more businesses to invest in productive equipment and technology and create more productive jobs.

In addition, the increase to the instant asset write-off should be made permanent. While increasing the write-off for 12 months to 30 June 2024 is necessary and welcomed, making the increased instant asset write-off permanent will encourage longer-term planning by small businesses and will support continuous and sustainable business growth.

This would also provide additional certainty for businesses that they can access the write-off. As it currently stands, there is only a very short window to access the write-off. The legislation required to action the extension will not pass the Parliament until the end of November 2023 at the earliest, leaving seven months at the maximum to take advantage of the write-off. Making the write-off permanent at the higher threshold will provide additional stability and certainty for business investment, and will lead to increased productivity growth as a result.

## Schedule 2 – Small Business Energy Incentive

ACCI welcomes the Government's Small Business Energy Incentive (the incentive). The incentive seeks to assist businesses with an aggregated annual turnover of up to \$50 million to implement energy upgrades in their operations. Small and medium-sized businesses within this turnover threshold will be able to obtain a 20 per cent deduction for eligible assets of up to \$100,000 of total expenditure, with a maximum bonus tax deduction of \$20,000.

With rising business and energy costs for small and medium-sized businesses, this is a much-welcomed program. Businesses are acutely aware of the need to transition to more energy efficient equipment to support the net zero transition, but small businesses in particular often require some support to action the change.

While we support the incentive, ACCI urges the Government to extend it for an additional 12 months, to 30 June 2025. Currently, the incentive would expire on 30 June 2024. With this Bill still before the Parliament until at least the end of November 2023, this provides a more limited period for eligible businesses to take advantage of the incentive than intended.

In some cases, eligible expenditure may be a simple upgrade or replacement of inefficient equipment with a more efficient piece. However, in most cases, improving energy efficiency requires significant planning, design, reorganisation, evaluation and training in order to integrate a new or different piece of equipment into a business. For small business owners, this process may take up a substantial amount of time which they can't afford to spend away from the ordinary running of their business.

With the incentive available for fewer than 12 months, there is not sufficient time for businesses to access the advice needed to plan, design, finance, install and commission energy upgrades. Given the short window to access the subsidy, it is likely that the incentive will do little to encourage new investment in high efficiency energy upgrades, instead subsidising only minor upgrades with minimal impact, investment activity which was already planned, or poorly implemented upgrades which are not as efficient as they could be.

ACCI strongly recommends that the incentive's end date be extended to 30 June 2025 to provide enough time for businesses to better plan their investment and take full advantage of the incentive. We would also welcome the development of guidance materials to highlight examples of eligible expenditure, and we would be happy to work with the Government to distribute these materials to our network of small and medium-sized business members.

It is crucial to acknowledge that the energy transition will require sustained support for businesses well beyond the deadlines of 30 June 2024, or 2025. A comprehensive, long-term strategy that encompasses incentives, capacity-building, and, where appropriate, product standards or regulations is needed. Such a strategy would establish a continual framework for business investments in high-quality electrification and energy efficiency upgrades.

Although the Government has introduced positive initiatives and taken steps to support businesses with this transition, the emphasis should be on implementing enduring measures rather than short-term, time-limited programs. This approach not only reduces complexity, as businesses would not have to continuously grapple with the intricacies of new programs, but also lessens the administrative burdens on both Government departments and businesses.

## Schedule 6 – Income tax amendments for updates to the accounting standard for general insurance contracts

ACCI welcomes this measure which will align Australia's taxation laws to existing accounting standards for the insurance industry. This measure is the outcome of lengthy consultation between the insurance industry and Government with the view to reducing compliance burdens resulting from changes to the accounting standards made last year.

Currently, Australia's accounting standards for the insurance industry adhere to international accounting standards, with AASB 17 taking effect from 1 January 2023. Unfortunately, Australian taxation laws were not updated simultaneously leading to a situation where insurance companies have had to maintain two separate sets of records. This has placed a significant regulatory and compliance burden on the industry.

ACCI and its members are supportive of practical measures which reduce regulatory and compliance burdens on businesses. Accordingly, we support this measure and encourage the Parliament to pass it as soon as practicable.

### Other comments

ACCI welcomes measures which stand to support small businesses, which are currently experiencing significant and increasing imposts to how they do business. However, we caution the Government to consider the use of different thresholds for what a 'small business' is deemed to be for the programs they introduce.

For example, these two measures in the same piece of legislation, both have different eligibility requirements or definitions for what size business can benefit, with the incentive being turnover of up to \$50 million, and the instant asset write-off being up to \$10 million only.

This complexity is just one facet of an increasingly complicated regulatory environment small businesses are navigating. There are a host of measures that have been recently implemented or will be shortly which small businesses have to ensure they are compliant with. Various programs with differing eligibility requirements make this an increasingly difficult task.

We take this opportunity to remind the Government and Committee that a key component to uptake of these programs is the ease in which they can be understood, and urge them to consider a consistent application of what a 'small business' is.

## Next steps

To provide certainty to businesses who may be eligible for these measures, ACCI urges the Parliament to adopt the abovementioned recommendations and pass the legislation promptly.

We thank the Committee for your consideration of our feedback. If there are any questions regarding this submission, please contact Natalie Heazlewood, Director Skills, Employment and Small Business at [REDACTED] or Samantha McKenna, Policy Adviser Skills, Tourism and Small Business at [REDACTED]

### About the Australian Chamber of Commerce and Industry

The Australian Chamber of Commerce and Industry (ACCI) is Australia's largest and most representative business network. We facilitate meaningful conversations between our members and federal government – combining the benefits of our expansive network with deep policy and advocacy knowledge. It's our aim to make Australia the best place in the world to do business. ACCI membership list can be viewed at [www.australianchamber.com.au/membership/current-members/](http://www.australianchamber.com.au/membership/current-members/)

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