

Chapter 1

Introduction

Background

1.1 In October 2005, the Prime Minister, the Hon. John Howard, and the Treasurer, the Hon. Peter Costello, announced the appointment of a Taskforce to identify practical options for alleviating the compliance burden on business from Commonwealth Government regulation. The Taskforce was to examine 'those areas in which regulation should be removed or significantly reduced as a matter of priority'.¹

1.2 The Taskforce's report was released on 7 April 2006. Recommendation 5.43 stated:

The Australian Government should take steps to align and/or rationalise different definitions in the tax law including 'small business', 'employee', 'salary and wages', and 'associate'.²

1.3 The Government's response agreed in principle to this recommendation. It noted that the 2006 federal budget increased various thresholds applying to small businesses' tax obligations.³

1.4 In November 2006, the Treasurer and the Minister for Small Business and Tourism, the Hon. Fran Bailey, issued a Joint Press Release announcing the introduction of legislation to standardise eligibility criteria for small business tax concessions from 1 July 2007.

1.5 The Tax Laws Amendment (Small Business) Bill 2007 was introduced into the House of Representatives on 10 May 2007 to give effect to these changes. The same day, on the recommendation of the Selection of Bills Committee, the Senate referred the bill to the Standing Committee on Economics for inquiry and report by 6 June 2007.⁴

1 The Hon. John Howard MP, Prime Minister of Australia, the Hon. Peter Costello MP, Treasurer of Australia, 'Taskforce on reducing the regulatory burden on business', Joint Press Release, 12 October 2005.

2 Regulation Taskforce 2006, 'Rethinking regulation: Report of the Taskforce on reducing regulatory burdens on business', Report to the Prime Minister and the Treasurer, p. 122. <http://www.regulationtaskforce.gov.au/finalreport/regulationtaskforce.pdf> (accessed 29 May 2007).

3 'Rethinking regulation: Report of the Taskforce on reducing regulatory burdens on business', Australian Government's response, http://www.eowa.gov.au/Reporting_And_Compliance/Australian_Government_Response.pdf (accessed 29 May 2007).

4 Selection of Bills Committee, *Report No. 2 of 2007*, dated 8 February 2007.

Conduct of the inquiry

1.6 The committee advertised the inquiry in the *Australian* newspaper on 16 May 2007 and invited written submissions by 21 May 2007. Details of the inquiry were placed on the committee's website. The committee received a submission from the Small Business Development Corporation and thanks the Corporation for its input.