



STANDING UP FOR SMALL BUSINESS LOWER TAX AND A STRONGER VOICE

The Greens' plan to ease the pressure on small business

People in small businesses are the heart of the economy and local communities but disadvantaged compared with big business. The Greens will give them a fairer go by lowering and simplifying taxes and strengthening the Small Business Commissioner.

The Australian Greens understand the pressure that small businesses are feeling. We also recognise that a healthy small business sector means a strong Australian economy. The almost 2 million small businesses in Australia play a vital role in the economy, providing jobs to almost half the workforce. Small businesses are also part of the community in a way big business can never be.

The old parties take the small business sector for granted, while their policies invariably promote the interests of big business and their lobbyists.

The Greens recognise the people behind small business deserve more support. We will:

- Reduce the company tax rate for small business by 2%;
- Help small business cash-flow by increasing the instant asset write-off threshold from \$6 500 to \$10 000; and
- Legislate for a stronger, more powerful federal Small Business Commissioner.

> RECOGNISING THE PEOPLE BEHIND SMALL BUSINESS

Small business owners are people. The Greens recognise the burden and risk that many small business people take on when they establish a business. That is why we are committed to caring for people who run small businesses and their families by giving them a fairer go.

> LOWER AND SIMPLER TAXES

The Greens will cut the tax rate for small business to promote the vitality of the sector and to encourage more Australians to enter into small businesses.

The Greens propose cutting the **company tax rate** from 30 per cent to 28 per cent for companies with turnover of under \$2 million from July 2014. Of the 788 000 companies in Australia, 600 000 small business companies will benefit from our policy.ⁱ The Parliamentary Budget Office estimates it would cost \$1.75 billion over the forward estimates based on the 2013 budget figures.

When the Government proposed a cut to the company tax rate in 2010, the Greens, unlike the Liberals, supported it for small business but the Government chose not to proceed.

Our small business tax cut will:

- free up extra income for investment, innovation and business expansion.
- Relieve the pressure on small business.
- Acknowledge the administrative costs for small business.
- Encourage growth in the small business sector.

A lower rate for small business is perfectly feasible. Small businesses face a lower company tax rate than big business in Belgium, Canada, France, Japan, the Netherlands, South Korea, Spain, the United Kingdom and the United States.ⁱⁱ The Government had recently planned a temporarily lower rate for small business and the Coalition propose an effective two-tier rate through Mr Abbott's parental leave levy.

The Greens will also raise the instant asset write off threshold from its current \$6,500 to \$10,000, as recommended by the *Henry Tax Review*.ⁱⁱⁱ Unlike the people who run large corporations small business people invest their own hard earned money in to their businesses. By raising the instant write off threshold the Greens are acknowledging to a small extent the risk they take on by allowing them to write off their asset purchases.



Raising the threshold will allow 2 million small businesses around Australia to benefit straightaway and will encourage small businesses to purchase productive assets to help grow their businesses.

It would also mean that the people behind small business can get on with running their businesses and spend less time on complicated paperwork to keep track of depreciation on equipment they purchase. It will improve cash flow for small business by bringing forward the tax deduction. The concession would apply to small businesses regardless of whether they are structured as companies, partnerships or sole traders.

The Parliamentary Budget Office estimates that raising the threshold would cost \$600 million over the three years from 2014-15 to 2016-17, based on the 2013 Budget.

Abbott and the Coalition oppose increasing the instant asset write-off. They would prefer to give big business a corporate tax cut than help the millions of small businesses with their cash-flow.

Unlike the Coalition, the Greens also supported the **loss carry back** provisions to allow small businesses to 'carry back' losses and be refunded tax paid on past profits, the same way losses can be offset against future profits. For eligible companies the tax benefit could be as high as \$300,000. The Liberals opposed this concession in order to fund tax reductions for large mining companies.

> SMALL BUSINESS COMMISSIONER

The Greens support the national Small Business Commissioner and want to strengthen its ability to act as an effective advocate for small business, especially in their dealings with federal departments and agencies.

A Small Business Commissioner properly resourced and backed by legislation will:

- **Ensure the Commissioner has the power to be an effective representative.**
- **Provide an effective broker between small and big business.**
- **Support research into Australian small business trends to help policy makers better understand the sector.**
- **Make it more difficult for the position to be abolished.**

The Commissioner should be assured of ongoing adequate funding to ensure it is properly staffed and has the resourcing to mediate disputes, carry out research into the sector and advise the federal government to ensure the small business perspective is taken into account in policy decisions

The Greens will give the Small Business Commissioner power to bring businesses and government departments to the table to facilitate conflict resolution. Court proceedings are often drawn out and expensive, and so not a realistic option for small businesses. Our plan gives the Small Business Commissioner power to call businesses together and provide relevant documents as required or risk financial penalties.

Dealing with large federal government departments and agencies can be difficult. There is great complexity in winning and delivering government contracts. The Greens bill defines one of the functions of the Small Business Commissioner is to be a point of contact for small businesses struggling in their dealings with the federal government. This will allow small businesses to get on with growing and developing their businesses, while the Small Business Commissioner follows up their conflicts and complaints directly with the federal government

The Greens want legislative backing for the Commissioner to make it more difficult for an incoming government to abolish the post, as happened in Queensland when the Newman Liberal National Party Government came to power.

The Greens introduced a bill into Parliament that would have provided appropriate legislation to ensure the Small Business Commissioner had the power to advocate effectively for small businesses. The two old parties opposed the legislation.

We would invest \$10 million a year in establishing the Commonwealth Small Business Commissioner as a statutory authority with a Commissioner and 15 staff to undertake the dispute resolution and research functions of the Commissioner.

> GROWING THE SMALL BUSINESS SECTOR

Small businesses are an important part of the economy; they employ almost 5 million people. Small business people take risks by investing their own money and time into their business. Most small business owners work long hours. If successful they create jobs and investment that benefits the wider Australian community.

The small business sector also tends to be more innovative than larger firms as people see an opportunity to start new types of businesses. This is particularly evident in the digital technology sector. Small businesses account for about a third of research in high-tech industries and are more agile in innovating and improving efficiency.^{iv} The Greens believe innovation is central to the development of the economy and we recognise the work that small businesses do in this regard. Therefore growing the small business sector helps the wider economy innovate and develop.



Small businesses, particularly in tourism, are the losers from the 'two speed economy' whereby the booming mining industry has led to a higher exchange rate and higher interest rates. Small businesses cannot match the high wages offered by mining companies and so are losing good staff.

Small businesses lack the market power of big businesses in dealing with suppliers and landlords and also lack the lobbying power with governments. Economies of scale mean that big business, with specialised HR and accounting departments, can meet the cost of complying with regulations more easily than can small business.

The Greens appreciate the work done by small business in collecting taxes on behalf of the government and helping administer programmes such as superannuation. When negotiating the response to climate change the Greens were mindful of not increasing the compliance burden on small business and so only large polluters are required to purchase permits. By contrast the Liberals introduced the GST and choice of superannuation fund, increasing the paperwork burden on small business.

For all these reasons the Greens believe that measures should be taken to relieve the pressure on small business and level the playing field so that small business can compete on fair terms.

> COMPETITION POLICY

The Greens recognise that small businesses do not operate on a level playing field with big business and that stronger competition laws are needed to give small business a fair go. We believe the competition laws need to be strengthened to prevent big business using their market power to gain unfair advantages over small business. See our "Effective Competition Policy" - <http://www.greens.org.au/tackling-supermarket-duopoly> .

> RESOURCING SMALL BUSINESS

The Greens have a fully costed plan for supporting small business including being up-front about how we will pay for our policies. We are prepared to stand up to big business and raise the revenue to support the people behind small businesses by taxing the mostly overseas owned mining corporations and record profit-making big banks.

ⁱ ATO, Taxation Statistics 2010-11, page 32

ⁱⁱ OECD Tax Database, May 2013.

ⁱⁱⁱ *Australia's Future Tax System*, December 2009, Recommendations 29 and 30, p 173.

^{iv} Ellis Connelly, David Norman and Tim West, 'Small business: an economic overview', Reserve Bank of Australia, 2012, pp 3-4.