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PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES
MATTERS OF PUBLIC IMPORTANCE

Economy

SPEECH

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Page 980
Questioner
Speaker Owens, Julie, MP

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Ms OWENS (Parramatta) (16:23): It was a noble aspiration that was agreed to on the weekend at the G20 that there would be an aim to lift the collective GDP by more than two per cent above the trajectory implied by current policy over the next five years. That is a noble aspiration. I have to say, though, that I am surprised that it took our current Treasurer six months to come up with that. I would have thought that, if he was not happy with the current trajectory over the last six months, he has had quite a substantial amount of time. But it has been the slowest start of any government in the history of Australian governments, and this is perhaps a reflection of that very, very low start.

It is not the aspiration that is the problem that we are talking about today—it is not the aspiration; the aspiration is quite noble. The problem that we are talking about today is that the mechanisms that the Treasurer believes are necessary to meet that aspiration—which is a priority on jobs, infrastructure and tax—have not been priorities for this government over the last six months and continue to be on the backburner. We have seen a loss of 63,000 jobs and we have seen no plan to grow new ones. We have seen cuts to infrastructure and we have seen increases in tax, particularly on small business. Once again, what the government say and what they do are two completely different things.

In the area of small business, in particular, they state over and over again that small business is the engine room of the economy and that, if you want the economy to grow, you have to back small business—and they are right. An incredibly important part of growing an economy is making sure that small business is very strong. That is what they say, but what did they do in the last six months? They ripped away \$3.2 billion in tax cuts from small business. They say one thing—the friend of small business—and do something else. Also, they are raising taxes for large business by 1.5 per cent with their levy to fund the incredibly expensive paid parental leave scheme. So, again, they say small business has to be strong, they say they back small business, they say it is necessary for growth to meet this aspirational target, but what they do is completely opposite.

Even worse than that, the area in which they have ripped away those tax cuts was one that was designed to stimulate growth. It came from recommendations from the Henry tax review and the Business Tax Working Group following a review back in 2012. I am talking here about the loss carry-back provisions in particular. Business had long been supportive of introducing this ability to carry a loss back, because it smooths out the investment cycle for small business and it smooths out lumps in growth in the economy—incredibly important for businesses that are innovative and are developing new products and particularly important for small start-ups in IT, or film and intellectual property where the lead time for developing a new product can be quite substantial and much longer than the calendar year.

I tell the story quite often that the tax system was developed by a monk in the agrarian age, when the annual calendar year was quite an appropriate tax year, because crops grew and were harvested within the year. Now, of course, that is no longer the case. The loss carry-back provisions in conjunction with the instant tax write-off were a very significant step forward in the government of the day recognising that the patterns for small business differ and that if you want to stimulate investment in the small business sector you need a tax system which reflects their actualities.

We already had loss carry-forward, which allows you to carry a loss forward to next year's tax year. This one actually allows you to get a rebate at the time that you invest from last year's tax return. It is an incredibly important change, and the government have ripped it away. They have not actually told business yet. Unless you read the Liberal Party press releases—this party of small business—you would not even know it. As at 31 December, the tax office was still telling business that the loss carry-back provisions would apply even though they intend to retrospectively remove them as at 1 July last year as soon as that bill is passed.

It is the same with the instant tax write-off. The government have not told business yet that they are operating on a current tax law which will not apply by the time they put in their return. For small business and for growth? I do not think so.