



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**HOUSE OF REPRESENTATIVES**

**BILLS**

**Treasury Laws Amendment  
(Enterprise Tax Plan) Bill 2016**

**Second Reading**

**SPEECH**

**Thursday, 1 September 2016**

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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## SPEECH

<b>Date</b>	Thursday, 1 September 2016	<b>Source</b>	House
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<b>Questioner</b>		<b>Responder</b>	
<b>Speaker</b>	Morrison, Scott, MP	<b>Question No.</b>	

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**Mr MORRISON** (Cook—Treasurer) (10:35): I move:

That this bill be now read a second time.

The Turnbull government is committed to providing tax relief for Australians. This bill forms a key component of the government's reform agenda to improve Australia's tax system for businesses and to drive investment in our economy as it transitions from the investment phase of the mining boom, as it is successfully doing, to broader based growth.

The actions contained in this bill will provide the encouragement needed for Australian businesses to grow and create jobs.

The amendments contained within this bill provide much needed support to businesses by:

immediately reducing the tax rate to 27.5% for 870,000 businesses with turnover of up to \$10 million and who employ 3.4 million Australians;

reducing the company tax rate for all businesses to 25 per cent by 2026-27;

increasing the unincorporated tax discount for small businesses from five per cent to 16 per cent by 2026-27; and

increasing turnover thresholds so that more businesses can access lower tax rates.

These amendments will enable Australian businesses to reinvest more of their earnings in employing more Australians and growing their businesses—this will benefit all Australians.

This will drive investment, allowing us to keep our living standards high and improve wages.

Since 2001, Australia has gone from having one of the lowest corporate tax rates in the world to now offering one of the highest. There are only five advanced countries with higher corporate tax rates than Australia, I am advised.

This bill therefore is an important step for Australia—it will allow Australian businesses to once again be globally competitive on tax. It will assist our businesses to succeed both at home and internationally. And it will encourage businesses to remain in, or relocate to, Australia.

We are improving the tax system for business and better aligning it with a culture of business investment and development to foster jobs and growth.

As productivity rises, more than half the economic benefits of a lower company tax rate will go to workers in the form of higher real wages.

Complementary government initiatives will ensure businesses are not able to avoid paying tax and are required to pay their fair share. Whilst the government is keen to support businesses with lower taxes, those businesses which seek to pay no tax will be caught and punished. Initiatives that include tougher rules for multinationals that shift profits offshore, enhancing the ATO's enforcement capabilities and changes to improve corporate transparency are all designed for this purpose.

We are also making sure that small businesses most importantly, that is 96 per cent of all businesses in Australia, improve their cash flow and reinvest in their business, should they choose to do so. And that is what small businesses do: they reinvest their earnings from their efforts back into their businesses to make them bigger businesses and to realise the dreams that they have for their business.

Small and medium businesses are the prime drivers of jobs and growth in our economy. They are also overwhelmingly Australian owned and more likely to reinvest their earnings in future growth as they seek to build their businesses. That is why we are starting there.

A tax on their business is a tax on their enterprise, which ends up being a tax on the jobs that they create. A national economic plan for jobs and growth that was outlined in the budget this year backs these businesses with these measures. When they invest and grow, we all win.

These are some of the businesses I have been visiting during the recent election campaign, since the budget, talking to them about these measure and the benefits:

The precision engineering business in Adelaide that is successfully transitioning from the decline in the automotive industry to new clients in the electrical industry.

The chocolatier in Emu Plains, the cheesemaker on the Mornington Peninsula and the honey producer in Launceston—they are all small- and medium-sized businesses and they are expanding them into new Asian markets.

The engineering company in Berwick and the circuit board manufacturer in Queanbeyan who form part of the national defence industry supply chain will not only benefit from this measure but from the defence industry plan that has been put forward and is being implemented by the government, most notably through the Minister for Defence Industry.

The electrical contracting business from Seven Hills started by migrants from Eastern Europe and Lebanon, during a recession in nineties, now employing a young refugee from Nepal, who came through our formal humanitarian program.

The truck repair business in Burnie and the tyre retailer and auto repairer in the Adelaide Hills that want to take on new apprentices.

The sports floor manufacturer from Somersby on the Central Coast who built the courts for the Netball World Cup is building them for the Commonwealth Games and rebuilt the floors and staging here at the National Press Club.

The Bridgestone Select Tyre & Auto franchisee in Perth bought less than a year ago but their turnover is already \$2 million.

They are all small, family businesses. They are all growing and looking to employ more Australians.

Our economic plan, which this bill is part of, does not punish these businesses for growing. Indeed, the reverse.

We do not believe that they become multinationals when their turnover increases to more than \$2 million and neither do they. The prize for their growth should not be a higher tax rate, which it would be now if this bill is not passed.

That is why this government supports the introduction of this bill to bring down taxes for Australian businesses, particularly immediately for small- and medium-sized businesses.

I will now turn to the specifics of the bill.

Schedule 1 to this bill amends the Tax Rates Act 1986 to reduce the company tax rate.

In the 2016-17 income year, businesses with turnover below \$10 million will face a tax rate of 27.5 per cent. The turnover threshold to qualify for the lower tax rate will be raised to \$25 million in 2017-18, \$50 million in 2018-19, \$100 million in 2019-20, \$250 million in 2020-21, \$500 million in 2021-22, \$1 billion in 2022-23 and removed entirely in 2023-24.

The corporate tax rate for all companies will then be progressively cut to 27 per cent in 2024-25 and by one percentage point in each subsequent year until the corporate tax rate reaches 25 per cent in 2026-27. That is our pathway to lower taxes in this country over the next decade.

Schedule 4 to this bill amends the Income Tax Assessment Act 1997 to align the maximum rate for the distribution of franking credits to be consistent with the rate of tax faced by the company making the distribution.

Schedule 5 to this bill makes consequential amendments to the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997 to reflect the reduction in the corporate tax rate.

Schedule 2 to this bill increases the small business unincorporated income tax discount to 16 per cent from the 2026-27 income year. In the 2025-26 income year and earlier income years, a lower rate will apply.

For the 2016-17 to 2023-24 income years, the unincorporated tax discount will be eight per cent.

For the 2024-25 income year, the discount will be 10 per cent. For the 2025-26 income year, the discount will be 13 per cent.

The tax discount will continue to be capped at \$1,000 per year.

Providing unincorporated small businesses with a reduced rate of tax improves their cash flow and enables them to retain more earnings, which can be reinvested into their business. It also ensures that small businesses benefit from a reduced rate of tax regardless of whether they are operated, importantly, as companies, sole traders, partnerships or trusts.

Schedule 3 to this bill amends the Income Tax Assessment Act 1997 to increase the aggregated turnover threshold for access to many small business tax concessions to \$10 million—long overdue.

The aggregated turnover threshold for access to the unincorporated small business income tax discount will be increased to \$5 million, and the current aggregated turnover threshold of \$2 million will be retained for the small business capital gains tax concessions.

More than 90,000 additional small businesses will be able to access a range of small business concessions. These include simplified trading stock rules, a simplified method of calculating pay-as-you-go instalments by the Australian Taxation Office and the option to account for GST on a cash basis and pay GST instalments as calculated by the tax office.

On average, smaller businesses face higher costs of complying with their regulatory obligations as a proportion of their turnover and income, compared to larger businesses.

Eligible businesses can use the small business concessions to reduce their tax liability and compliance costs and improve their cash flow.

Full details of the measure are contained in the explanatory memorandum.

This bill delivers on the promise we made to the Australian people in the budget—the budget we took to an election and, as I reminded the House yesterday, the election we won as a government. And we won on the strength of our economic plan; an endorsement of that economic plan. This bill forms a key component of that economic plan to drive jobs and growth.

Debate adjourned.