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SMALL BUSINESS CAN'T MISS OUT ON BENEFITS OF TAX REFORM

Statement by Mr Greg Evans, Director of Economics and Industry Policy

In an address to the Institute for Independent Business in Sydney, ACCI Economics and Industry Policy Director Greg Evans has highlighted the key challenges facing the SME sector as the economy recovers from the global financial crisis.

ACCI reiterated its support for the positive contribution of the government's fiscal measures including the business investment allowance and more broadly the benefit of responsive and more accommodative monetary policy.

Looking ahead however, trading conditions will continue to be difficult and there are a number of policy concerns facing small business, including the tax reform process, the consequences of reduced competition in the banking sector, and higher energy prices that will result from the adoption of the proposed Carbon Pollution Reduction Scheme (CPRS).

ACCI emphasised that SMEs should not 'miss out' on the likely recommendations of the Henry Review, given that this sector is central to a sustainable economic recovery and job creation.

Matters of particular concern relate to a potential broadening of the payroll tax base which may envelop SMEs for the first time, the possible removal of measures providing capital gains tax relief, and the apparent prioritisation of reducing company tax at the expense of lowering personal income tax rates. Tax reform needs to be more than alleviating compliance requirements.

Reduced competition in the banking sector with the exiting of some foreign banks and non-bank lenders continues to be an issue for Australian SMEs. Access to finance remains a constraint on investment.

Ultimately, providing for greater competition is the best protection for small business. A Productivity Commission-style inquiry examining trends and international comparisons in the provision of SME finance may be a useful option for the Government to consider.

In relation to the CPRS, it is clear many SMEs have a limited appreciation of its flow-on impact in terms of higher direct energy prices or the energy efficiency measures that can be adopted. Prior ACCI studies have highlighted the price impact of the CPRS on the 'uncovered' sector will be substantial, especially where a small business is trade-exposed and has a high energy intensity.

The SME sector will be an important driver of economic recovery. It is imperative that policy responses in each of these areas does not hinder but provides incentive and encouragement for small business operators to invest and employ.

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