

THE AUSTRALIAN RETAILERS ASSOCIATION



SMALL BUSINESS AND GENERAL BUSINESS TAX BREAK CONSULTATION

SUBMISSION TO

**The Treasury
Business Tax Division**

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Submission by:

Australian Retailers Association

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Australian Retailers Association

- Promoting and protecting retailers for over 100 years

The Australian Retailers' Association (ARA) is the peak national retail association representing the interests of the largest employing industry in Australia. We provide leadership and solutions to improve the long-term viability, productivity and visibility of the retail industry by proactively dealing with government, media and other regulatory bodies on behalf of our members.

ARA members comprise a diversity of sizes and types of retailers reflecting the profile of the retail industry, ranging from large national chain retailers to one-person operators throughout the nation.

The ARA provides a range of comprehensive services, advice and representation suited to both small and large retailers in the areas of employment relations, occupational health and safety, tenancy, consumer law and retail business solutions. This includes a range of retail specific training that supports best practice in retail.

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1. Executive Summary

1. The Australian Retailers Association (ARA) supports and acknowledges the Federal Government's tax break for small business will support economic activity in the current economic downturn.
2. As part of the Nation Building and Jobs Plan, the Federal Government's Small Business and General Business Tax Break could provide much needed investment to small retailers who continue to suffer after stagnant and declining growth for most of 2008.
3. However the ARA is concerned the deadlines for investing in eligible assets for the 30 percent additional tax break don't take into account the current economic position of the small retail community.
4. Almost 60 percent of SME retailers have indicated they won't be taking advantage of the incentive by the 30 June 2009 deadline.
5. The ARA is also concerned the tight timeframes for small retailers to invest in eligible assets and receive the 30 percent tax break, don't allow for adequate communication and education to SMEs who are not informed enough to take advantage Federal Government's Small Business and General Business Tax Break.

2. Recommendation

Recommendation:

The Australian Retail Association (ARA) Federal Government's additional 30 percent tax break for small business to be extended from the original 30 June 2009 deadline to eligible assets purchased before July 2010.

3. Small retail plans for business investment

The Federal Government's small business tax break of an additional 30 percent deduction for eligible depreciating assets costing \$1,000 or more could help the 80 percent of independent retailers who turn over less than \$2 million per year.

The top three investment plans¹ for those retailers planning to take advantage of the additional 30 percent tax break for small business by the original 30 June 2009 are:

- Computers and IT Software
- Shop fit-outs
- Motor vehicle

However, the majority of small retailers can't afford the initial outlay of investment during the first half of this year.

4. Small retail access to funding for eligible assets

The Australian Retailers Association (ARA) believes small retailers are not currently in a position to invest in much needed assets for their business prior to June 30 2009.

In fact, almost 60 percent of SME retailers have indicated they won't be taking advantage of the incentive by the 30 June 2009 deadline.¹

The retail industry in Australia has experienced a sharp and steady decline in profit and confidence during 2008 and the economic down turn looks sure to continue for the first two quarters of 2009.

The extent of the damage the global economic crisis is having on the retail industry was highlighted in September when retail sales suffered the biggest monthly slide in three years despite the first interest rate cut since 2001. Retailers have continued to suffer since September as unemployment rises and economic pessimism about the future spreads

¹ Australian Retailers Association (ARA) industry poll conducted 26 February – 2 March 2009

The seasonally adjusted of turnover for the Australian Retail series increased by .04% in November 2008. Since then there has been increases in seasonally adjusted retail trade (December 3.8% , January 0.2)² However, this meagre increase cannot be viewed as a permanent positive turn for the retail industry and is most likely a result of a number of economic influences including; the anticipated seasonal trading boost due to extended and significant retail sales over the Christmas / post-Christmas period; temporary decline in petrol prices and the first Federal Government Economic stimulus package.

The current (March) quarter is always the toughest for retailer cash flow as credit card bills from Christmas roll in and back to school costs rein in consumer discretionary spend.

SME retailers are still waiting to feel the following positive economic influences to have an affect on consumer spend and free up cash flow for business investment:

- Interest rate cuts

Interest rate cuts usually take six months to flow through to the retail sector

- Household Stimulus Package

Small retailers won't see any impact from the Federal Government's until the September quarter.

Australian Retail Association (ARA) forecast modelling suggests small retailers will be in a better position to invest in assets eligible for the additional 30 percent tax break for small business by the September 2009 Quarter.

² ABS Retail Trends, Australia Jan 2009

The Australian Retail Association (ARA) recommends the Federal Government's additional 30 percent tax break for small business to be extended from the original 30 June 2009 deadline to eligible assets purchased before July 2010.

The extension on the deadlines will allow SME retailers - who have been suffering for months - a chance to take advantage of the Federal Government's small business tax breaks and put a much needed boost of investment back into their businesses.

As well as this, extended timeframes for small retailers to invest in eligible assets and receive the 30 percent tax break will allow for adequate communication and education to SMEs who are not informed.