

Ee & Associates
Certified Practising Accountant

Principal:
Roger Ee B.Com. CPA

2/1567 Wynnum Road
Tingalpa Qld
Tel: 07 33906222
Fax: 07 38905020

Correspondence:
P O Box 2019
Tingalpa Qld 4173
email: roger@ee.net.au

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Small Business and General Business Tax Break – Consultation
Business Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam,

**SMALL BUSINESS AND GENERAL BUSINESS TAX BREAK
EXPOSURE DRAFT SUBMISSION**

In the draft legislation, the entitlement to deduction specifically excludes intangibles (Section 41-105(1)(a)). In-house software as prescribed in section 40-30(2)(d) is an intangible and therefore excluded from the above tax break.

Software is very much the intelligence unit of most equipment used in carrying on a business. Without the software, most equipment does not operate.

Whilst intangibles such as spectrum licences and datacasting transmitter licences may not fit in the current notion for the tax break, I strongly urge for a reconsideration of including in-house software for the tax break.

Encouraging investment in software will on one hand improve business efficiency of the users and on the other hand will promote business growth of the software suppliers.

For a real case study, I have a client, a glass manufacturer. The business is contemplating an upgrade to its production line at a cost of \$155,000 for software and \$30,000 for hardware, to process energy efficient glass for residential, commercial and industrial buildings.

The acquisition of the software will provide a competitive edge to the business. It will increase productivity and also achieve greater efficiency of Plant & Equipment and hence lower overheads such as energy costs. It will also enable quicker processing and

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therefore earlier delivery to customers. Quality will also improve by less misinterpretation of finished product requirements.

The software will enable the business to meet increased demand for its products, and will lead to further investment in glass processing capital equipment such as CNC machines in the future.

It will bolster economic activity by supplying competitively priced products for use in renovations and new constructions. It also allows it customers to obtain custom sized glass quickly.

The productivity gained from application of the software allows the business to remain competitive and hence provides security for long term employment.

On the other hand, I have interests in a software company based at the Brisbane Technology Park which produces business management software for small medium businesses. If software is included as part of the tax break, it will certainly encourage the small medium business to invest in software. This will boost the local software industry and lead to growth and more jobs.

When a business invests in software, it creates jobs. Labour is required for training and implementation of the software in the business. Furthermore, these jobs will be located here, not overseas.

Unlike manufacturing, software is an industry where Australia can compete globally. Any further tax breaks will enhance the growth of the industry and its contribution to the Australian economy.

With Regards,

Roger Ee
Principal