



FlexiGroup Limited

Mr Matthew Flavel
Small Business and General Business Tax Break-Consultation
Business Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

9 March 2009

Dear Mr Flavel

Small Business and General Business Tax Break-Draft Legislation

FlexiGroup (FXL) is a leading Australian publicly listed financial services provider of point of sale lease and rental finance products to small business and consumers.

FlexiGroup provides \$200m in equipment leasing financing to approximately 90,000 customers on an annual basis. Of this amount \$99m (50%) is provided to 42,000 commercial small business customers such as electricians, plumbers, shopkeepers etc. The typical customer leases an IT asset that has a retail value of \$2340.

The small business *new investment threshold* is \$1,000. However, where a small business requires finance by way of lease the threshold is effectively \$10,000 as the threshold test is applied to the financier (lessor) because the financier owns the asset.

It is not practical for FXL to provide its product to its customer base by way of a hire purchase and chattel mortgage (as an alternative to leasing) and hence allow the small business customer to claim the allowance. This is because FXL's bank funding arrangements are specific on the type of product it can offer and FXL's leasing product provides other advantages to small business including loan equipment in the event of breakdown or loss.

The other significant factor in the current economic climate is the constraint relating to access to funding that small business has and is being exacerbated by the impact of the global financial crisis.

The reason why so many small businesses rent this type of equipment is to reduce the initial cash outflow of capital acquisitions (cash flow is tight for small business in good times and access to equipment rental is even more important and relevant today). The availability of the *small business and general business tax break* deduction for small items of equipment that are leased is therefore critical to FXL's 42,000 small business customers that will lease equipment this year.

We wish to provide some constructive comments on the draft legislation. Whilst we believe that the draft legislation will provide an effective framework to stimulate business activity in Australia we are concerned that it does not provide that incentive to small business people for

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the rental of computer equipment where the cost of that piece of equipment is between \$1,000 and \$10,000.

FlexiGroup Proposal

The issues outlined above could be immediately resolved if the Federal Government announced that the small business and general business tax break deduction applies as set out below:

1. \$1000 if you are a small business entity (or you are a lessor and the lessee is a small business entity) during any of the following income years; and
2. allow lessors the discretion to transfer their entitlement to the lessee.

This outcome would be entirely consistent with the policy objectives of this "tax break" in encouraging businesses to invest now in new assets. This would provide lessors or lessees with the ability to utilise the additional tax deduction if either party were currently incurring tax losses.

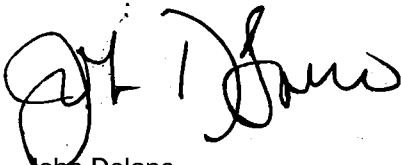
Timely Announcement Critical

With the 30% "tax break" deduction applying only from 13 December to 30 June, the dominant period of this window will have elapsed by the time of Royal Assent; this could be as late as May, leaving less than two months for the 30% allowance.

Ideally such an announcement should be made by the Federal Government as soon as possible.

Thank you again for the opportunity to comment on the draft legislation and please contact me if further input is required.

Yours sincerely



John Delano
Chief Executive Officer and Managing Director

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