



March 9, 2009

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

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Dear Sir/Madam

**Exposure Draft Tax Laws Amendment
(Small Business & General Business Tax Break) Bill 2009**

The Motor Trades Association – Queensland (MTA-Queensland) is the peak organisation in the State representing the specific interests of 2,500 businesses in the retail, repair and service sector of Australia's automotive industry. It is an industrial association of employers incorporated pursuant to the Industrial Relations Act of Queensland.

The Association represents and promotes the issues of the automotive industries to all levels of government and within Queensland's economic structure.

MTA-Queensland comprises 14 separate divisions, each representative of a specialist area of the State's automotive industry. They are:

- Australian Automotive Dealers' Association of Queensland;
- Queensland Farm and Industrial Machinery Dealers' Division;
- Auto Electrical Specialists' Division;
- Queensland Motorcycle Industry Division;
- Automotive Engineers' Division;
- Queensland Tyre Dealers' & Retreaders' Division;
- Engine Re-conditioners' Association of Queensland;
- Rental Vehicle Industry Division;
- Independent Tow Truck Operators;
- Service Station & Convenience Store Association of Queensland;
- National Auto Collision Alliance;
- Used Car Division;
- Automotive Under Car Division; and
- Auto Parts Recyclers' Association of Queensland.

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In Queensland, the automotive trade's value chain generates in excess of an estimated \$16 billion annually, directly employing more than 60,000 people contributing significantly to both Queensland's and the nation's economy.

The Association is the leading automotive training organisation in Queensland offering nationally recognised training, covering all aspects of the retail motor trades industry.

The MTA-Queensland's role:

- Assist members with input into future productivity of their industries by the provision of advice, services and representation.
- Supply industry specific services—workplace relations advice and technology information.
- Provide nationally recognised training to all areas of the Retail Motor Trades.
- Cooperate with all level of Governments, Departments and Unions in the development and delivery of training programs.
- Promote the automotive trades and its value to the State and National economies.
- Represent the automotive value chain's issues and policies to all levels of Government.
- Engage with all levels of Government on policy proposals, legislative and regulatory matters and provide input where required.
- Create working relationships with peak bodies to present a unified approach to all levels of governments on matters of common interest.
- Establish business partners to assist member's business interests.

Comments

Exposure Draft Tax Laws Amendment (Small Business & General Business Tax Break) Bill 2009

Generally

MTA-Queensland appreciates the opportunity to comment on the Exposure Draft Tax Laws Amendment (Small Business & General Business Tax Break) Bill 2009. Our comments are confined to issues that have direct relevance to our automotive value chain membership.

The automotive value chain across Queensland is experiencing a challenging business environment and welcomes the relief provided by the tax break in the form of a bonus deduction for new tangible asset expenditure. Initial responses to the information dossier sent to Members indicate a positive reaction and for some businesses the bonus deduction provisions have initiated new plans for capital expenditure.

The contraction in the supply of credit to finance the normal commercial operations of Queensland's automotive industry has the potential to terminate up to 25 percent of franchise car dealers across Queensland. This is exacerbated by a simultaneous contraction in the market for automobiles; the statistic compiled by the Federal Chamber of Automotive Industries (VFACTS) show that the volume of new vehicles sold for February 2009 compared with the previous month fell by 4,311 units or 22.8% and on a year to date comparison, motor vehicle sales decreased by 21.6% or 7,763 fewer vehicles sold than for the same period in 2008. Full year industry volume in Queensland is projected to be the lowest since 2003.

The impact of the decline in vehicle sales is reflected in Queensland Treasury's February 2009 Economic and Fiscal Update. It shows that the revenue from the duty on motor vehicle transfers have collapsed by some \$83 million or 20 percent since June 30 2008. (The State Budget estimate

was \$518 m for 2008-09 but the Feb 2009 estimate is \$435 million. Since December 2008 the revision downwards was \$30 million.)

A further fiscal policy impacting on vehicle sales has been the Commonwealth’s Luxury Car Tax increase from 1 July 2008 and the rise in the Queensland State Stamp Duty on the Transfer of Motor Vehicle Ownership from 1 January 2008. The timing of both increased imposts has proved to be most unfortunate particularly as both Governments are encouraging consumer spending to mitigate the global financial crisis.

Both the debt funding contraction and the decline in new vehicle sales will impact detrimentally on the economic performance of the state and particular regional centres where it is reasonable to predict some business closures and increased unemployment.

The Federal Government’s initiatives to assist small business and general business through the global financial crisis are recognised.

Specific Issue – small business threshold (annual turnover)

MTA-Queensland seeks consideration of the small business threshold (annual turnover) on behalf of our service station members and other businesses that operate on high volumes/costs and low margin throughput that are impacted by contractions in major industries such as the mining sector and other entities operating fleet vehicles.

Members exposed to the mining industry report a slowdown in business as a result of the contraction in the mining industry which in the last month has seen up to 3,000 mining jobs in Queensland lost in 2009 due to the global economic downturn.¹

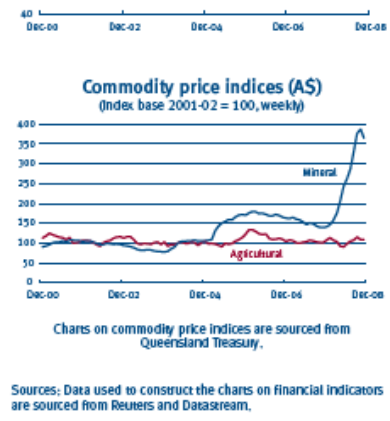
Specifically we seek consideration of an increase in the small business threshold (annual turnover) from \$ 2 million to \$10 million in support of small businesses that operate on high volumes/costs and low margin throughput such as retail service station operators. This would enable such businesses to benefit from eligible investments of \$1,000 or more rather than the asset limit of \$10,000 defined for “other businesses”

¹ Queensland Treasury Office of Economic and Statistical Research: “Queensland Economic Review”, February 2009, p.5

Queensland commodity prices¹

- The monthly average price index of Queensland’s major commodity exports declined 5.5% in SDR terms in December 2008 and by 5.0% in A\$ terms, largely due to falling mineral prices over the month.
- The Mineral Index declined 6.2% in SDR terms and 5.7% in A\$ terms in December. The world prices of copper (down 17.7%), lead (down 25.6%), nickel (down 10.3%), aluminium (down 19.2%), zinc (down 4.6%) and coal (down 2.8%) all fell in the month. Lower world mineral prices in December largely reflected a continued deterioration in prospects for global economic growth.
- The Agricultural Index declined 0.3% in SDR terms, but rose 0.2% in A\$ terms in December. The world prices of beef (down 7.7%) and sugar (down 4.5%) fell in the month. While the world prices of wool (up 3.9%), cotton (up 0.8%) and wheat (up 2.2%) rose.

¹ Data used in this section are available only with a two month lag. This is due to delays associated with the reporting of prices received for certain commodity exports.



¹ AAP March 2 2009

Conclusion

The policy measures in the Exposure Draft have the potential to assist businesses and generally stimulate consideration of new tangible investment in assets that would attract the bonus tax break deduction.

We seek consideration of an increase in the small annual turnover to enable high volume/cost and low margin throughput businesses with exposure to major industries impacted by the global financial crisis to benefit from eligible investments of \$1,000.

MTA-Queensland supports the stimulatory tax policy thrust contained in the Exposure Draft.

Yours sincerely

Richard Payne
Principal Policy Director