

19th March 2009

The Hon Wayne Swan MP  
Treasurer  
Parliament House  
CANBERRA ACT 2600

Dear Treasurer

**EXPOSURE DRAFT LEGISLATION FOR SMALL BUSINESS AND GENERAL  
BUSINESS TAX BREAK**

The National Association of Forest Industries (NAFI), *and other associations* welcome the opportunity to make submissions in relation to the Tax Law Amendment (Small Business and General Business Tax Break) Bill 2009 (the Bill).

We have considered the exposure draft legislation and strongly support the Australian Government's intention to use this measure to encourage business investment, economic activity and jobs during this period of the protracted global financial and economic crisis.

With this intention in mind, we respectfully request amendments to the Bill to allow major project investment to be eligible for the proposed investment allowance outlined in the Bill. The nature of major project investments differs from small business investments as variously described in the Bill's explanatory memorandum. We are concerned that for this reason the Bill in its current form will not meet its objective of bringing forward major project (general) investments.

Major projects involve investment over a longer time period than is currently provided for in the Bill. These projects typically have a time frame in excess of one year, from project commencement to completion. For the Bill's objectives to be fully realised for the benefit of the national interest, we respectfully submit the Bill should include a Major Projects Category with the following provisions that reflect the reality of the timing sequence and the nature of major project business investments.

1. A major project would be classified as a project that has a total construction cost, including project development, civil and structural costs, equipment installation, management and overhead costs in excess of \$50 million.
2. Major Project proponent notifies the Australian Tax Office of its intention to make business investments in tangible depreciating assets for a designated project within the timeframe detailed in 2 below. The following project costs are to be eligible for the 30% tax break: project development costs; capital equipment purchase; civil and structural costs; capital equipment installation costs; and management and overhead costs.

3. Eligibility timeframes for the business investment components in 2 above to be as provided for in the table.

Project Development costs and Capital Equipment Order	13 December 2008 to 31 December 2009.
Civil and structural Costs	13 December 2008 to 31 December 2010.
Equipment Installation Costs and Management and Overhead Costs	13 December 2008 to 31 December 2011.

4. None of the tax allowances included in 2 and 3 above will be granted if the major project is not taken through to completion and commissioning.

The inclusion of the Major Project provisions in the Bill will facilitate the many major projects that are ready to go but have stalled because of the effects of the Global credit crisis on investment. A catalyst such as an investment allowance that covers major projects would provide the much needed kick start to get many of these projects back on track.

As many projects are ready to go, the benefit of the proposed changes to the Bill will be that it will allow the broader economic and employment benefits of major projects to flow to the economy now, when the economy needs it the most. Major projects often span a number of years so they not only maintain existing jobs, they also create new and long lasting jobs that provide essential stability and confidence to local communities.

Our industry members are more than willing to continue to play their part in Australia's future and strongly recommend the Australian Government adopt these measures.

We, the undersigned, are available to meet with you to discuss this proposal. We have copied this letter to the Prime Minister, the Minister for Resources and Tourism and the Minister for Agriculture, Fisheries and Forests.

Yours sincerely



Allan Hansard  
Chief Executive Officer  
National Association of Forest Industries