

Tim Davies

From: Tim Davies
Sent: Tuesday, 10 March 2009 11:17 AM
To: 'investmentallowance@treasury.gov.au'
Subject: Exposure Draft: Tax Laws Amendment (Small Business and General Business Tax Break) Bill, 2009

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

Dear Matthew

**Exposure Draft: Temporary Investment Allowance
Tax Laws Amendment (Small Business and General Business Tax Break) Bill 2009**

Thanks for the opportunity to comment on the Government's Exposure Draft of the abovementioned Bill (herein 'ED').

In the interest of brevity and not taking up your time any more than is required, I won't provide here a detailed description of the **Page Kirkland** Group, other than to mention that we are a firm of International Property & Construction Cost Consultants and invite you to visit our web site at www.pagekirkland.com.

On February 3rd, 2009, the Government announced a policy change to make the Temporary Investment Allowance (TIA) announced on December 12th, 2008, more accessible to small business, for which it is to be applauded. In doing so the threshold was reduced from \$10,000 to \$1,000. I wish to draw your attention to an anomaly and inequitable consequence that, I suspect, may not have been Government's intention.

In no way do I seek a reduction of the general business threshold below \$10,000 – that 'hurdle' for eligibility is clear and need not change.

But there is an inequity insofar that a small business investing \$5,000 to upgrade the air conditioning of their business premises to a five-star energy efficient system will qualify, whereas a larger business (with larger premises) undertaking the same upgrade, albeit with five of the same systems (*i.e.* 5 units @ \$4,800 each = \$24,000, assume a volume discount) does not appear to qualify.

A very practical example might be a small business operating from a factory-ette (or adjoining office/warehouse) in a complex owned by an investor in which there are, say, ten (10) identical units in the complex, each leased to different businesses. It might be more cost-effective for the property investor to undertake a 'complex wide' upgrade of each factory-ette with the same standard AC unit and achieve a volume discount for ten (10) units @ \$4,500 each, aggregating to \$45,000) than leave to each tenant installing a variety of different systems with different maintenance regimes and warranty terms. Having the same system in each factory-ette also permits a more cost-effective preventative maintenance program (of, say, annual servicing), thereby reducing a health risk to employees of occupants with differing AC systems not maintained in a competent way. In my view, both of the above investments should qualify.

Rectifying this anomaly would also 'dovetail' with the Government's Carbon Pollution Reduction Scheme announced on December 13th, 2008, but the same outcome ought apply to other investments in plant and equipment.

I would contrast the example given with, say, a decision by a larger business to install a number of individual assets costing under \$1,000 each but with a total exceeding \$10,000 and/or another purchasing

identical or
substantially similar

identical or substantially similar

a number of assets costing over \$1,000 each but which in aggregate total less than \$10,000. Neither investment scenario fits within the policy intention and ought not qualify.

Matthew, would you please give this anomaly your full consideration and, if need be, revert to the Minister (or Assistant Minister) for guidance on any aspect you feel requires clarification in terms of the policy intention. Should you and/or the Minister wish to discuss this request in further detail, please feel free to contact me on 0411 485 990.

Yours sincerely

A handwritten signature in black ink, appearing to be 'F. Owen', written in a cursive style.



Principal



Page Kirkland Group

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