

Draft Legislation for the Small Business and General Business Tax Break

Comments from the South Australian Farmers Federation, March 2009.

On 25 February 2009, the Treasurer released an exposure draft of the Tax Laws Amendment (Small Business and General Business Tax Break) Bill 2009 and associated explanatory material. The Small Business and General Business Tax Break was announced on 3 February 2009 as part of the Government's *Nation Building and Jobs Plan*. The Tax Break is one of the measures being implemented by the Government to support economic growth and employment in Australia in the face of a deteriorating global economic environment.

With this Tax Break, it is proposed that small businesses including farmers will be able to claim a bonus deduction of 30% for eligible assets costing \$1,000 or more that they acquire or start to hold under a contract entered into between 13 December 2008 and the end of June 2009, and have installed ready for use by the end of June 2010. Between 1 July 2009 and the end of December 2009 the bonus deduction is 10%. It will not apply to second hand assets.

While welcoming this Tax Break as it is in effect an investment allowance, the South Australian Farmers Federation believes that it will only be of limited benefit to primary producers.

Given the seasonal nature of farming, and although an investment allowance will be welcomed, farmers will have difficulty making out-of-season purchase decisions before June. This relates particularly to the grain industry where purchases of for example headers can be significant and need to be made closer to harvest after due consideration of crop size, grain prices, etc.

In addition making a decision on a purchase can not be made lightly. Many primary producers try to work to a three-year planning cycle, and to make a decision at such short notice and within a time frame of less than six months does not make for good planning. It also does not make for good economic sense to make snap decisions on the run.

There is also little logic in limiting purchases to new equipment. Agriculture is an industry that has considerable reliance on used equipment. Unlike other industries, farming has limited access to contractors and most have older equipment that may be used infrequently to fill the gap. Because of this infrequent use and relatively inexpensive storage costs, this is a sound practice which should not be discouraged for short-term taxation benefits.

There is also the uncertainty that the legislation is not yet through the Australian Parliament.

It is **recommended** that the 30% deduction continue to apply for at least 12 months from the date the legislation receives Royal Assent. And the proposed bonus deduction of 10% should apply for the following 12 months.

If the Government is inflexible on this, a flat 20% for the 12 months may be worthy of consideration.