

6 October 2020

Federal Budget 20/21

Budget gives small business a ‘fighting chance’ to lead the national job restoration task in 2021.

SYNOPSIS

The Council of Small Business Organisations of Australia (COSBOA) - the national peak body for small business in Australia - welcomes the 2020/2021 Federal Budget with open arms. The Budget provides a comprehensive suite of economic recovery measures that give small business owners a reason to feel more confident about their future, notwithstanding the unprecedented uncertainty that typifies the road ahead.

The ‘big picture’ nature of many of the employment assistance initiatives, however, suggests a need to ensure that these measures are delivered in a manner that makes these programmes relevant and accessible to small and family businesses (at the *local community level*). This will be particularly important given that much of the job restoration effort will be borne by small businesses operating in local communities around the country - beginning with the imminent labour challenges associated with the summer harvest in regional and rural Australia.

The unusual timing of the delivery of this budget (i.e. in October) provides a unique opportunity to ‘road test’ the effectiveness of the new business support measures and refine them, prior to the handing down of the 21/22 Federal Budget just six months after these measures are ratified by the Australian Parliament.

KEY THEMES

1. The 2020/2021 Budget provides a suite of measures that, in aggregate, give SME owners reasonable cause to feel confident about their capacity to build their businesses back better. These confidence building measures include:

- Expansion of the previous instant asset write-off to allow full expensing of investment in depreciable assets (of any value) from now until 30 June 2022
- Changes to bankruptcy and insolvency laws that effectively put the small business owner in control of insolvency actions - as opposed to the past practice of putting the creditors in control
- Changes to responsible lending laws which are expected to improve small business access to affordable bank loans to fund business recovery and growth activity in a post COVID-19 environment

- Accelerated delivery of the stage 2 income tax cuts for low and middle income earners, which is expected to result in a future increase in household expenditure on products and services purchased from all businesses – including small and medium businesses
- Increased investment and emphasis on the utilisation of indigenous and abundant natural gas, which, in turn, is expected to put downward pressure on electricity costs for business and industry.

2. The potential benefits of this budget - in terms of new small business and job creation - will likely be wholly dependent on the Federal Government's capacity to deliver assistance measures in a manner that is both *relevant* and *accessible* to small business owners operating in local communities across the country.

- While the new *Job Maker Hiring Credit* will provide a welcome incentive to the hiring of unemployed younger workers (i.e. \$200 per week for 16-29 year-olds and \$100 per week for 30-35 year-olds), this programme must be delivered at the local level, via genuine matching of real jobs with local unemployed people.
- In order to maximise job creation, the new apprenticeship and trainee assistance measures should be delivered in a way that takes account of the varied economic structures of local communities (and the associated variable nature of employment opportunities) - as opposed to utilising a centralised, 'broad brush' national approach that fails to take account of the typically granular nature of employment opportunities in small businesses across Australia.
- The massive investment in national infrastructure is welcome and every reasonable opportunity should be taken to optimise the opportunity for small business participation in these projects – particularly in regional areas – to maximise the potential for job restoration in small and family businesses.

3. Despite many of the budget measures being publicly announced prior to the handing down of the 2020 Federal Budget, there were some welcome surprises for small business in tonight's budget speech by the Treasurer. These measures included:

- The provision of temporary measures that allows SMEs to offset future tax losses against taxes paid on profits paid in previous financial years to generate tax refunds. Companies with turnover up to \$5 billion will be allowed to offset tax losses against previous profits on which tax has been paid to generate a refund. (Losses in FY20, FY21 and FY22 can be carried back against taxes paid on profits in or after FY19).
- Exemption of small business from payment of 47% Fringe Benefits Tax (FBT) for parking provided to employees and the purchase of portable electronic devices provided to employees.
- The allocation of \$6.5M for an industry programme supporting the mental health of Australians working in small business.

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