

14 May 2021

COSBOA Communiqué

“2021 Federal Budget is right for the time”.

SYNOPSIS

COSBOA’s *COVID-19 Roundtable* provides a forum for COSBOA’s member organisations to caucus issues associated with the COVID-19 pandemic and discuss what actions might reasonably be pursued by Australian governments to maintain the economic vitality of Australia’s small business sector.

The latest meeting was conducted on Friday 14 May 2021 following the handing down of Treasurer Josh Frydenberg’s 2021-22 budget in the Federal Parliament on Tuesday 11 March 2021. The meeting included a presentation from the ATO on some of the small business tax changes handed down in the budget and their potential implications for SMEs.

The remainder of the meeting was devoted to a discussion of key budget announcements and participants probed a number of related issues - and their likely impact on SMEs in the post-pandemic era. A summary of the key points arising from this latest roundtable meeting is provided below.

KEY THEMES

- 1. The 2021-22 federal budget handed down by the Morrison Government is a positive one and provides the right balance of economic stimulus measures, tax benefits for SMEs and funding for important initiatives on skills, aged care, and women’s security.**
 - Roundtable participants were supportive of the 2021-22 federal budget and considered it to be the right response given the economic damage wrought by the COVID pandemic and the need to put as much distance between the pandemic and a return to a pre-covid business environment.
 - The business tax benefits announced in the budget such as the extension of temporary full expensing (including higher limits for instant asset write-off) and temporary loss carry back for the 2022-23 financial year are very welcome. These measures will allow businesses to utilise more of the post-COVID income to repair their businesses and create more jobs, while also encouraging investment in assets in a low interest rate environment – with consequent flow on benefits to the wider economy.
 - While participants noted that there were some missed opportunities – including support for sole traders, tangible measures to address the current shortage of unskilled workers in many areas of the country, and the need for greater support to assist small businesses with their digital transformation – the budget delivered more ‘hits than misses’ and is a budget that is ‘right for the times’.

2. Measures targeting improvements in digital take-up amongst small business owners is a welcome first step, with more to do in future years.

- Participants noted the measures targeting improvements in the digital capability of SMEs with dedicated funding to be made available to small business. While this funding was a relatively small proportion of the digital measures announced in the budget, it is nonetheless a welcome first step.
- Of particular interest was the government investment in regulatory technology (regtech) to simplify the complex IR system for SME owners. It was suggested that, while this measure was welcome and needed, it should not be advanced as a substitute for continuing to seize opportunities to simplify Australia's complex IR laws. In other words, simplification of Australia's complex IR laws and regtech should be pursued with equal vigour.
- It is understood that the first project to be delivered under these measures is the adaptation of business software to accommodate synchronisation with minimum pay rates for all modern awards. Given that these pay rates are updated annually, it would appear to make sense for the release of the new software to be timed to coincide with the date of the effect of the 2022 wage case announcement (i.e. 1 July 2022).

3. Concerns about unintended adverse consequences of proposed industry-specific changes to visa worker restrictions.

- Participants noted recent statements made by the Government involving the removal of the 20-hour cap on hours worked by international students and other visa changes for workers within the hospitality and tourism sectors.
- While noting the shortages in the hospitality industry, it was suggested that the industry-specific nature of this measure would likely result in an outflow of workers transferring from other industries where the cap is being maintained to the hospitality sector – particularly given the majority of this type of work is casual work – thereby exacerbating labour force shortages that are evident in multiple sectors.
- It was strongly suggested that this policy should be extended across all industries to avoid robbing Peter to pay Paul when it comes to addressing the current labour shortage being experienced by SMEs operating in a large number of industry sectors (e.g. agriculture, hair and beauty, grocery, general retail, and fuel retail).

4. Participants were not opposed to the removal of the \$450 per fortnight wage threshold for payment of the Superannuation Guarantee but suggested that there was a need for the Government to work with small business to address key administrative issues prior to the introduction of the measure in July 2022.

- Participants noted that the extension of the Superannuation Guarantee (SG) to workers on less than \$450 per fortnight would produce a slight increase in wage costs but suggested that this increase would likely be manageable for most SMEs. It was also noted that the proposed removal of the SG exemption would not apply to workers under 18 years of age and worked fewer than 30 hours per week.

- The additional administrative burden associated with the processing of the superannuation payments for workers earning less than \$450 per fortnight was also deemed likely to be manageable, given that most SMEs are using digital payroll systems.
- Participants raised the issue of payments for workers who did not have a registered super fund, noting the proposed changes to stapling will continue to allow employers to pay into an existing default fund where a new employee does not nominate a fund. This is likely to be particularly relevant where the employee is working for a short period of time (e.g. in the screen industry and in agriculture). It was suggested that, as part of this change, the ATO be given greater flexibility in the application of penalties for businesses failing to make super payments on or before the day they fall due.

-ends-