



national
electrical and
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association

Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016

National Electrical and Communications Association

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Senator Jane Hume
Chair of the Senate Economics Legislation Committee
Parliament House
CANBERRA ACT 2600

Dear Senator Hume,

Re: Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016

Thank you for the opportunity to comment on the Senate Economics Legislation Committee Inquiry into the Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016, referred by the Senate on 15 September. Whilst we are grateful for the opportunity to express our support for this critical piece of legislation, we also note the short timeframe in which to respond diminishes our ability to more comprehensively submit a response. Our submission largely supports views put forward in the submission put from the Australian Chamber of Commerce and Industry (ACCI).

The National Electrical and Communications Association (NECA) is the peak industry body for Australia's electrical and communications contracting industry that employs more than 145,000 workers with an annual turnover in excess of \$23 billion. We are a key component of the nation's economic fabric. Our 4,000 members operate businesses throughout Australia, across the building, infrastructure and commercial construction sectors including the provision of these services to all areas of Local, State and Federal Government. Additionally, through our Group Training and Registered Training Organisations, we maintain a significant presence within the industry training space with responsibility for the employment, learning and skilling of more than 5,000 apprentices who will develop into future electricians and contractors.

The profile of the electrical contracting sector effectively mirrors the Australian economy. 92% of businesses with the electrical contracting sector employ 25 staff or

less, with the average business employing 13 staff. This compares with the 96% of businesses defined as a small, throughout Australia.

Given the breadth and scale of our industry, taxation matters are crucial to the success of electrical contractors. As small business is the driver of the Australian economy, employing more than 4.5 million Australians and delivering \$330 Billion in economic output, we believe that the Government needs to fully recognise, respect and encourage small business to thrive.

Australian businesses are too heavily taxed and we believe the Federal Government is too reliant upon corporate income tax to fund its expenditure. This reliance has remained largely intact since the 1950's, despite major economic changes over the last sixty five years. Australia's company tax rate of 30 per cent is one of most expensive corporate tax regimes in the world, well above the OECD average tax rate of just 25%¹ whilst remaining one of the highest in the Group of 20 major world economies (G20), sitting well above the United Kingdom, the European Union and China².

A reduction in company tax is important for the business community and for growth in the national economy. Reducing tax on business profits will lead to a more competitive industry and assist to create additional employment opportunities.

Two of the more important recommendations arising from our *Policy Statement 2016* encourages the setting of guidance and a future strategy to implement the key recommendation of the former Federal Government's – *Australia's Future Tax System* – known as the Henry Review - argued for a reduction in the company tax rate to 25% and the need to reduce taxation red tape for small businesses through the alignment of business reporting timeframes.

NECA has have previously put forward our comments and suggestions as part of the Henry Review and we welcome the Federal Government's commitment to reducing the

¹ <http://budget.gov.au/2016-17/content/glossies/jobs-growth/html/jobs-growth-00.htm>


² www.G20.org

corporate tax rate from 30% to 25% over the next ten years of budgets³. Whilst we remain disappointed that a more progressive timetable could not be introduced, we are mindful of the difficult global economic environment and support the amendment in Schedule 1 of this bill that introduces an immediate corporate tax reduction to 27.5% for smaller business entities with an aggregated turnover of less than \$10 Million and the progressive reduction for all entities to 25% through until the 2026-27 financial year. Additionally, we note the increase in the aggregate turnover threshold from \$5Million to \$10Million for small business entities in Schedule 3 of the laws which will reduce regulatory costs for a large number of electrical contracting businesses.

Whilst NECA is wary of Schedule 2 of the Treasury Law Amendments that could lead to a small increase to regulatory burdens following an increase in the income tax offset up to 16% over the next decade, we support this measure that provides savings and relief for many smaller business entities within our sector. Regulatory burdens and the reduction of business red tape are two of the largest concerns of NECA members', however we believe in this instance, the potential savings for small business outweigh any additional costs of compliance.

In summary, NECA is grateful for the opportunity to have further input into the review of Australia's taxation structures. We ask that the Government, Opposition and Cross Bench representatives recognise, encourage and respect outcomes that support growth and employment opportunities for the electrical contracting sector and to ensure that the Treasury Law Amendment (Enterprise Tax Plan) Bill 2016 passes as legislation.

Yours faithfully



Suresh Manickam
Chief Executive Officer

³ <http://www.businessinsider.com.au/chart-how-australia-will-reduce-company-tax-rate-to-25-over-a-decade-2016-5>