

3.5 Small business

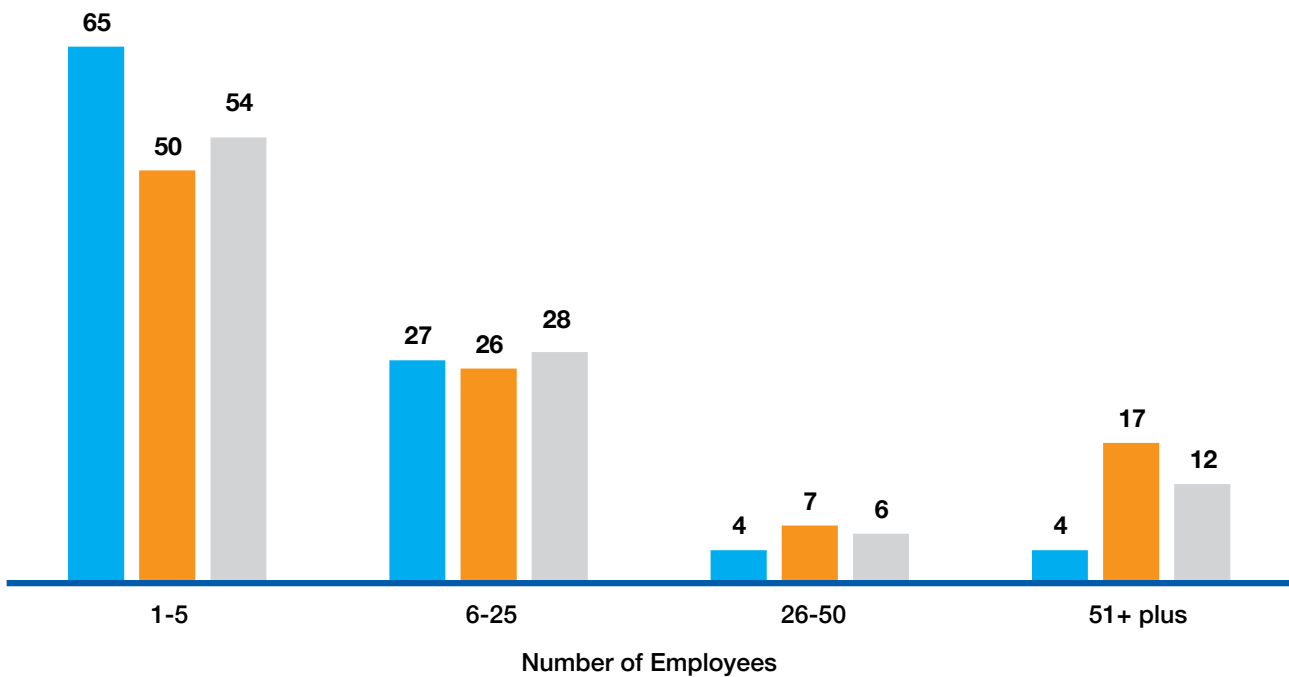
Background

Small business is the lifeblood of the national economy and dominates the electrical and communications contracting sector. NECA's 2017 Market Monitor shows that 82 per cent of businesses within our industry employ less than 25 staff. This compares with the national small business average of just over 70 per cent.

NECA believes that the high percentage of small businesses in our industry needs to be properly recognised by the Federal Government, along with the burdens that many of these businesses face on a daily basis.

NECA supports the legitimacy and endeavours of sole traders within our industry through direct contracts with client businesses, and as employers of skilled electrical staff.

Size of business



⁸ Source: Industry Profile – Size of Business – NECA Market Monitor 2017

Key



Key issues and recommendations

Legislative sunset provisions

The Federal Government could assist Small and Medium Sized Enterprises (SME) and independent contractors legislatively through the inclusion of sunset provisions for any new business legislation.

A sunset provision means the introduction of a new piece of business or industry related legislation would be accompanied by the replacement and removal of an existing piece of legislation on a one-for-one basis.

This action helps reduce red tape and remove the potential for contradictory regulation that may exist without legislative amendments.

R24: NECA advocates the introduction of sunset provisions for new business related legislation.

Superannuation administration and the future costs of contribution

The cost of superannuation administration is a burden for small business within the electrical contracting sector.

NECA believes the administrative costs of any government legislated program should be borne by the government and not small business.

The increase in compulsory superannuation contributions in future years remains a challenge. Whilst we support the Federal Government's move to freeze the compulsory contribution at 9.5 per cent through to 2021, we believe that further increases beyond 10 per cent and up to a rate of 12 per cent are unsustainable.

R25: NECA believes that the compulsory superannuation contribution of 12 per cent is unsustainable and calls for this figure to be capped at 10 per cent from 2023.

Company tax

NECA believes that tax reduction is a critical step in assisting the growth and competitiveness of the electrotechnology industry and the creation of additional employment opportunities.

The 2014 Federal Budget reduced the company tax rate for small and medium enterprises by 1.5 per cent to 28.5 per cent with a further reduction to 27.5 per cent for small businesses with an aggregated turnover of less than \$10 million in 2016. This threshold was increased to \$25 million for 2017/18.

The Henry Tax Review, commissioned by the former Federal Government, recommended a further reduction to 25 per cent in the short to medium term – subject to economic and fiscal circumstances. The current Federal Government, through its *Treasury Laws Amendment (Enterprise Tax Plan) 2016 Bill*, outlined a commitment to progressively reduce company tax to 25 per cent by 2026/2027.

R26: NECA supports the commitment of the Federal Government to reduce company tax to 25 per cent by 2026/2027, in line with the key recommendation of the Henry Tax Review. We encourage the government to fast-track the timetable for company tax reduction.

Payroll tax

While payroll tax is an important source of revenue for state and territory governments, it is essentially a tax on the employment of Australians and a disincentive to grow small and medium enterprises.

Each state and territory maintains separate tax and threshold limits creating further confusion and complexity for national businesses.

The Tasmanian Government, in its 2017 Budget, announced payroll concessions for small businesses that employ apprentices and trainees between the ages of 15 and 24 years, and a pilot grants scheme for small businesses for the successful completion of apprentices' training milestones.

The ACT and Victorian Governments offer similar schemes and the wages of re-employed apprentices and trainees are exempt from payroll tax in NSW, Victoria and some other states.

Given the lack of uniformity across state and territory jurisdictions, NECA believes that a national discussion needs to occur to encourage harmonisation and long-term removal of payroll tax.

R27: NECA calls for a national discussion to set in place a timetable to harmonise payroll tax regimes and a long-term plan for its eventual phasing out.

Alignment of business reporting timeframes

The alignment of key reporting timeframes across the financial year would be welcomed by businesses within the electrotechnology industry.

NECA believes that simplifying business reporting timeframes is an essential ingredient in reducing red tape. An alignment of reporting for BAS/PAYG administration, fringe benefits Tax (FBT), workplace gender equality compliance (WGEA) and other items is long overdue.

R28: NECA argues that key reporting timeframes such as BAS and PAYG Tax, FBT, WGEA compliance and others, should be reviewed and be more closely aligned to reduce administrative burdens, allowing businesses to focus upon their operations and not on government paperwork.

Adult apprentice wage subsidy

NECA calls upon the Federal Government to support employers who employ adult apprentices by providing an associated wage subsidy. Mature age apprenticeship numbers have continued to decline with employers citing costs and impacts from wage decisions made by Fair Work Australia as reasons.

While there is confusion around federal, state and territory workplace legislation and awards concerning the terms and definition of an adult (or mature age) apprentice, NECA defines an adult apprentice as a person 21 years of age or over. An adult apprentice who enters into an indenture to a trade generally attracts higher rates of pay through the *Workplace Relations Act* and other industrial awards.

Adult apprentices are often priced out of the market as they are perceived to be too expensive when compared with apprentices who are recent school leavers. However, the productivity from adult apprentices can often be much higher as a result of their previous work experience.

When compared with recent school leavers, the cost to employ adult apprentices differs greatly. Junior apprentices are paid a per centage of the minimum wage rate (currently \$20.13 per hour). Adult apprentices are paid significantly more for the *Electrical Worker Grade 5* classification under the *Electrical, Electronic and Communications Contracting Award 2010*, as provided in the table overleaf.

Wage Rate Comparison	Year 1	Year 2	Year 3	Year 4
Apprentice – Year 12 Not completed (p/h)	\$10.07	\$12.08	\$14.09	\$16.51
Apprentice – Year 12 Completed (p/h)	\$11.07	\$13.08	\$14.09	\$16.51
Apprentice – Mature Age (p/h)	\$16.10	\$17.54	\$17.54	\$17.54
Recommended Wage Subsidy (p/h)	\$5.03	\$4.46	\$3.46	\$1.03

⁹ Source: *Electrical, Electronic and Communications Contracting Award 2010*

Our position is that urgent action is required to address the issue of the unsustainability of adult apprentices and that additional support should be provided to employers to offset hiring costs – particularly for those aged 21 to 25.

Importantly, a far greater proportion of female apprentices are adult apprentices. If we wish to see more women joining the electrical trade, adult apprentice wage subsidies must be supported by the government.

R29: NECA recommends the Federal Government provides an employer wage subsidy to employers who employ adult apprentices. The subsidy should match the difference between the hourly rate of a junior apprentice and the hourly rate of an adult apprentice across each year of the apprenticeship.

Industry opportunities

- » NECA supports the introduction of sunset clause provisions for any new piece of business and industry related federal legislation.
- » NECA to lobby the Treasurer and Minister for Small Business to seek a review of the *Independent Contractors Act 2006*, the unsustainable increase in compulsory superannuation rates and the adoption of a timetable to reduce company tax.
- » NECA to construct an industry campaign to highlight the difficulties that electrical contractors face in complying with the requirements of government reporting agencies and seeking an alignment of reporting timeframes and the reduction of administrative burdens.