POLICY 2014

SMALL BUSINESS

PROVIDING SMALL BUSINESS WITH THE CONFIDENCE TO GROW

Small and medium sized businesses (SMEs) are the lifeblood of our economy – 97 per cent of New Zealand businesses are SMEs. Under National, small businesses have recovered from the Global Financial Crisis and are investing and adding jobs. The September MYOB small business survey reports that SMEs across New Zealand are currently seeing the highest growth levels in five years. National is working hard to keep providing small businesses with the confidence to grow.

We have reduced both company and personal tax rates. We are reducing costs to small businesses by removing unnecessary reporting requirements, cutting red tape and improving infrastructure.

We have introduced 90-day trial periods which are giving SMEs the confidence to take on new staff and give them a chance.

We are working to help more companies internationalise and sell their products in overseas markets and we are encouraging business-led research and development (R&D).

National is committed to making it easier and quicker for New Zealanders to meet their tax obligations by investing in a more modern, efficient and flexible tax system that will simplify the way businesses pay tax.

This year we released the first Small Business Sector Report to provide detailed information on the 459,000 small businesses that make up such a large part of the New Zealand economy.

POLICY HIGHLIGHTS

→ Lowered company and personal taxes and continue to reduce tax compliance costs

→ Helped keep interest rates around the lowest levels in nearly 50 years.

→ A voluntary 90-day trial period for new employees and a starting-out wage for 16 to 19 year olds.

→ Reducing financial reporting requirements, strengthening capital markets and providing better infrastructure to support New Zealand businesses

→ Supporting business investment in R&D by introducing new tax measures and other support programmes.

→ Investigating how we can make it cheaper and easier for creditors to enforce civil court decisions and recover money they are owed.
NATIONAL IS...

REDUCING THE BURDEN ON SMALL BUSINESSES

- Good fiscal management has helped to keep interest rates around the lowest levels in nearly 50 years.
- Lowered the company tax rate to 28 per cent and lowered all personal income tax rates, as part of the major tax reforms in 2010.
- Removing the requirement for small and medium sized companies to produce complex and unnecessary financial statements.
- Making tax compliance easier for businesses and individual taxpayers through initiatives such as myIR online accounts, the Voice ID service and the IR4U Save Time Campaign.
- Reducing costs for businesses dealing with government agencies through use of the new New Zealand Business Number, which is already being used by 550,000 companies.
- Launching an integrated Employer Registration service, making it easier for newly-formed companies to communicate with government.
- Reducing red tape – repealed 20 Acts and 18 sets of regulations in the areas of commerce and consumer affairs.

MAKING DOING BUSINESS EASIER

- Making it easier for smaller New Zealand companies to tender for government contracts with new rules on government procurement.
- Providing better infrastructure, for example through the Roads of National Significance programme, ultra-fast broadband and the Rural Broadband Initiative.
- Making it possible to raise capital without a prospectus or investment statement (equity crowd-funding and peer-to-peer lending), to help early-stage and growth companies access much-needed capital.
- Helping get more apprentices qualified by providing assistance to employers for training and tool costs.
- Modernising New Zealand’s patent laws so that Kiwi inventions enjoy world-class intellectual property protection.
- Attracting migrants with the skills, talent and investment needed to grow the economy.
IMPROVING EMPLOYMENT LAW

- Encouraging business to take on workers they may not otherwise have employed – with the voluntary 90-day trial period and the starting-out wage. A third of employers who used trial periods in 2012 said they would not have hired new staff without it.
- Responsibly and steadily increased the minimum wage so small businesses could retain, and if possible increase, staff numbers.
- Reformed the personal grievance system to reduce delays, costs and vexatious claims.
- Increased flexibility in the Holidays Act to give employees more choice.
- 83,000 jobs were created in the last year and unemployment has dropped to 5.6 per cent – lower than in Australia

INVESTING IN R&D AND BUSINESS DEVELOPMENT

- Set up a new SME Research Hub, which pulls together important information relating to SMEs for business owners, researchers, and government.
- Supporting business research and development through Callaghan Innovation
- Set up the Regional Business Partner Network around the country so that regional Chambers of Commerce and Economic Development Agencies can help small businesses grow and innovate with expert advice and access to funding.
- Changed tax rules so loss-making start-up companies can cash out all or part of their tax losses from R&D expenditure.
- Developed rules allowing tax deductibility for R&D “black-hole” expenditure that is currently neither deductible nor able to be depreciated.
WHAT WE WILL DO NEXT...

1. REDUCE TAX COMPLIANCE COSTS ON SMALL BUSINESSES

→ Help businesses meet their tax obligations easier and faster so they can get on with making profits and creating jobs.

We will invest in making tax compliance faster and easier for small businesses through the major overhaul of IRD’s business systems and information technology. As part of this major overhaul we will reform the PAYE and provisional tax systems to reduce compliance costs and get as close to real-time reporting as possible.

We will maintain New Zealand’s broad-based, low-rate tax system that minimises economic distortions and provides a fair environment for business.

National has also set up the Taxpayer’s Simplification Panel to further explore how to make tax compliance simpler for small businesses.

2. STREAMLINE CIVIL COURT PROCESSES

→ Investigate how we can make it cheaper and easier for creditors to enforce civil court decisions, and close loopholes that let people dodge their debts.

Small businesses should be able to depend on the civil courts to help them enforce their contracts, rather than wasting time and money chasing people who refuse to pay what they owe.

3. EXTEND THE USE OF THE NZ BUSINESS NUMBER

→ Extend the use of the New Zealand Business Number to reduce costs for businesses dealing with government agencies.

All key government agencies that work regularly with businesses will be required to recognise and use the NZBN by the end of 2017. The NZBN will be extended beyond registered companies to all New Zealand business entities, such as sole traders, partnerships, trusts and not-for profit entities.

This means businesses will no longer have to keep updating their data with a myriad of different government databases. The NZBN will enable innovative time-saving administration solutions between businesses, their suppliers and government, giving them more time to spend on growing their business.
4. IMPROVE NEW ZEALAND’S BUSINESS ENVIRONMENT

→ Continue to improve the regulatory environment that small businesses operate in.

National will:
→ Pass the Employment Relations Amendment Bill to increase flexibility and fairness in the labour markets, and exempt SMEs from the provisions of Part 6A of the Act relating to continuity of employment.
→ Pass the Accounting Infrastructure Reform Bill to make the accounting and audit industry more efficient and effective. A more competitive and efficient accounting market will ensure better business practice and advice for New Zealand firms.
→ Complete the implementation of the Financial Markets Conduct Act, including new disclosure requirements to improve investor literacy, confidence and participation in financial markets.
→ Pass legislation to better enable pro-competitive collaborative arrangements between businesses—a welcome development for many of New Zealand’s export industries.

DON’T PUT IT ALL AT RISK

Labour and the Greens would…

✗ Bring in 5 new taxes:
  – A higher top personal tax rate.
  – A capital gains tax on all businesses and farms.
  – A tax on water use.
  – A carbon tax
  – Regional fuel taxes.

✗ Impose additional costs on New Zealand businesses through policies such as:
  – An irresponsible increase to the minimum wage that will force employers to cut back on staff and future recruitment
  – Scrapping 90-day trial periods
  – Big increases in employer KiwiSaver contributions
  – A national award pay system that would require small regional businesses to pay the same wage rates as large big-city businesses
  – A requirement for Kiwi businesses to pay an even higher minimum ‘living wage’ if they want to participate in government procurement tenders.

The MYOB election survey on small businesses showed that 63 per cent of small businesses trust National to provide appropriate management of the economy, while only 8 per cent trust Labour. It is no wonder when you look at the long list of things Labour would do to small businesses.