



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

PROOF

BILLS

**Tax Laws Amendment (Small
Business Measures No. 3) Bill 2015**

Second Reading

SPEECH

Thursday, 13 August 2015

BY AUTHORITY OF THE SENATE

SPEECH

<p>Date Thursday, 13 August 2015</p> <p>Page 41</p> <p>Questioner</p> <p>Speaker Lambie, Sen Jacqui</p>	<p>Source Senate</p> <p>Proof Yes</p> <p>Responder</p> <p>Question No.</p>
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Senator LAMBIE (Tasmania) (13:05): I rise to contribute to the debate on the Tax Laws Amendment (Small Business Measures No. 3) Bill 2015, and also indicate that I will support this legislation without any reservations. This legislation will benefit all small businesses of Tasmania and other states, and therefore will increase the job security of their employees. It will also increase the profitability and prosperity of those businesses and will increase the likelihood that they will be able to grow, and employ more workers, and that can only be a good thing for Tasmania's and Australia's economy.

I will briefly outline the purpose of this legislation as summarised in the *Bills Digest*, and then I will use this opportunity to outline a policy which will also guarantee the profitability and prosperity of Tasmanian businesses. This bill amends the Income Tax Assessment Act 1997 to provide a five per cent tax offset capped at \$1,000 per income year to individuals who run small businesses with an aggregate annual turnover of less than \$2 million or who have a share of a small business income included in their assessable income, and it enables small businesses and individuals to immediately deduct certain costs incurred when starting up a business. Amendments to the Fringe Benefits Tax Assessment Act 1986 extend the fringe benefits tax exemption that applies to employers who provide employees with work related portable electronic devices.

The Minister for Small Business, Mr Billson, in his second reading speech told the lower house on Wednesday 24 June 2015:

Small business is the engine room of our economy. The contribution of the hardworking women and men of small business cannot be understated. They account for 96 per cent of all Australian businesses. They employ over 4.5 million people and they produce over \$330 billion of economic output each year.

And he introduced this legislation by saying:

This bill amends various taxation laws to provide tax relief and reduce red tape for small business.

I have a better plan to provide tax relief, reduce red tape for Tasmanian small businesses, stimulate the economy and boost employment—namely, the establishment, the creation, of special economic zones in regional and rural areas to help boost business profitability and job creation.

As part of the special economic zone, I propose the effective removal of payroll tax from all our businesses. I acknowledge that payroll tax is a state tax and should have been removed when the GST was introduced to Australia. However, in a special economic zone, the federal government could reimburse any businesses which were forced to pay state payroll tax.

My research shows that the Tasmanian private business sector could employ approximately an extra 5,000 full-time workers on an average wage of \$60,000 per year if our state government scrapped the payroll tax. The employment opportunities would soar and Tasmania's record unemployment rate of 6.7 per cent would come under serious attack if our politicians had the courage to scrap this unfair annual payment totalling approximately \$340 million.

Official figures show that about half of all Tasmanian businesses, or approximately 2,400, are forced to pay payroll tax. In addition to all the other government taxes—income tax, provisional tax, fringe benefits tax, GST and stamp duty, and the list goes on—a business becomes eligible to pay the hated state government charge after its wages bill exceeds \$1.25 million. For the average business, if more than 21 full-time workers are employed, that means your boss qualifies for the extra tax. Thanks for employing! It means that each year your employer must find between \$14,000 and more than \$100,000 in order to keep their doors open, keep Tasmanian workers in a job and pay this hated state government tax. The top 53 businesses in our state each year pay on average \$2.5 million.

It is no wonder that the state payroll tax is called an unfair tax on employment. It is no wonder that, when combined with over-the-top freight and sea-travel charges, Tasmanian jobs are under threat and businesses are in jeopardy. A real solution to Tasmania's unemployment crisis is to make the state—the whole state—payroll tax free. There are 5,000 good reasons to scrap the tax: 5,000 new jobs which could immediately be created if the tax were scrapped. Scrap the tax! If you ask where the funds will come from to fill the payroll tax hole in the state budget, look to Australia's \$4 billion to \$5 billion annual foreign aid budget. Charity begins at home.

Australian politicians are scared of special economic zones. There has been some ad hoc provision of tax relief for selected companies but never a national coordinated approach. I call on the Australian federal and state governments to stop the ad hoc granting of special economic incentives for certain companies and to develop an organised plan to establish special economic zones in rural and regional areas where the worst social indicators and unemployment rates are being recorded.

I acknowledge that, because of consistently high unemployment and falling business confidence, an economic zone which guarantees for all Tasmanian businesses (1) a payroll-tax-free zone, (2) dramatically reduced Bass Strait freight, vehicle and passenger charges and (3) the cheapest electricity and gas prices in Australia and indeed the world is the first essential step our state must take on a long journey to recovery.

My research through the Parliamentary Library shows that approximately 2,301 special economic zones in 119 countries have been very successful at stimulating financial growth, lowering unemployment and creating community wealth for a range of countries and communities, and they have been used as an important tool to remedy fiscal crisis. It is time to look at some of these examples.

In Great Britain, on 17 August 2011, Prime Minister David Cameron, Chancellor George Osborne and the Secretary of State for Communities and Local Government, Eric Pickles, announced the location of 11 new enterprise zones. These new zones were expected to generate 30,000 new jobs by 2015. Some of the incentives used to attract investment to the British zones were over 150 million pounds in tax breaks for new businesses over the next four years. As of 2012, some businesses operating within the enterprise zones in assisted areas were to be eligible for enhanced capital allowances available for plant and machinery investment. There was also a business rate discount of up to 275,000 pounds per eligible business over a five-year period.

In the US, like the UK, the US empowerment and enterprise programs involve a range of spatially targeted tax breaks and grants designed to encourage economic and social investment in disadvantaged areas. The federal government administers two such programs, the Federal Empowerment Zone, or EMPZ, and the Federal Enterprise Community, or ENTC, programs. As two researchers at Yale University, Busso and Kline, observed, the empowerment zones are:

... one of the few social welfare programs popular on both sides of the congressional aisle. In an era where non-entitlement spending on social welfare programs has been scaled back dramatically, the federal Empowerment Zone program has enjoyed rapid growth.

The state-run programs are called state enterprise zones, or ENTZ. These programs vary dramatically from each other. For example, some states may offer only subsidies for investment to business while others may also offer employment tax breaks. Some zones are only created in particular neighbourhoods while others cover hundreds of square miles. Federal incentives include businesses being eligible for a tax credit of up to 20 per cent of the first \$15,000 in wages earned by each local worker they employ; \$100 million per zone to be spent on training, emergency housing assistance and promotion of homeownership; and \$2,400 in tax breaks for hiring local residents between the ages of 18 and 24.

Since the economic reforms of 1978, China has been setting up SEZs and providing them with financial, investment and trade privileges as well as encouraging them to test innovative policies that, if successful, could then be implemented in the wider economy. In 1980 the first SEZ was established in Shenzhen. It is often highlighted as a success story for turning a small fishing village into a vibrant economic hub, which is now home to a number of high-tech companies. In 2003, the Shenzhen zone attracted US\$30 billion in foreign direct investment, exported \$48 billion worth of goods and directly employed three million people. In June 2012 *The Economist* reported that the zone would be further expanded to attract more modern service industries. The plan is to attract finance professionals, lawyers and accountants and to impose no income taxes on them.

In closing and in repeating my support for the legislation, I note that Parliamentary Library research indicates that, despite regular calls to create special economic zones in Northern Australia and in the Northern Territory, there have never been special economic zones—as formally defined—in Australia. It is now time to fix that problem and introduce special economic zones to regional and rural areas that are suffering from high unemployment and social disadvantage—meaning that Tasmania should be declared a zone today.