



**THE HON DR EMERSON MP**  
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E&OE

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**MAHER:** Well most of the 138 recommendations of the Henry tax review have been popped into the too-hard basket or relegated to a shelf somewhere perhaps to be looked at later. But, the government has announced some significant changes that will have an impact on small business and on how much money you'll have to spend in retirement.

Now if you own or have shares in a mining company you probably won't be happy today. Miners, as you know, are being hit with a big new tax, but if you run a small business you are set to get some relief with a cut in the company tax rate and other concessions.

Craig Emerson is the Federal Minister for Small Business, and he joins us now.

Good afternoon, Minister.

**EMERSON:** Good afternoon, Louise.

**MAHER:** How are you planning to bring in the cut in company tax? When will businesses start to reap the benefit of that?

**EMERSON:** Small businesses will get a head start. It starts from 1 July 2012 which is earlier than for larger companies, and that's recognition in part of the fantastic role that small businesses have played during the economic downturn in keeping staff on.

And just as we supported small business with the stimulus package during that economic downturn, we want to support small business during the recovery by giving those incorporated small businesses a head start on the company tax cut from 30 cents in the dollar to 28 cents.

Now the coalition has been saying well that's no good for businesses - small businesses - that are not companies like partnerships and sole traders. But for all small businesses we're allowing them to write off the cost of any asset valued at up to \$5,000 in the year in which they buy it.

So this is an incentive to invest in productive assets and to write that off immediately which boosts their cash flow and that applies to all small businesses.

**MAHER:** With the company tax, the rate will drop from 30 to 28 per cent but the Henry review recommended a cut to 25 per cent. Why didn't you go that far?

**EMERSON:** Well we're doing what's affordable. We're gradually retiring debt over time as the economy strengthens and it's good that it is strengthening. We have avoided a recession.

We said in the last budget that we will move the budget towards surplus and limit spending growth to two per cent real spending growth when the economy returns to trend growth.

So it's really a matter of what's affordable, Louise, but in deciding who gets what benefits we certainly have given a very strong emphasis to small business through these measures.

**MAHER:** Is there the possibility do you believe, as the treasurer has suggested tentatively, that the rate could be cut to 25 per cent some time down the track if the tax revenue is higher than expected?

**EMERSON:** Well, let's see what happens in the future. I'm not a clairvoyant about the future. I think that...

**MAHER:** People shouldn't hold their breath for that then?

**EMERSON:** Well really these are the announcements that we're making and I could even add one further, Louise. When small businesses talk to me about tax the one word that they use, apart from an expletive that they don't want to pay it, is 'streamline', simplifying the tax system.

And that can be done by, for those assets that are valued at more than \$5,000 at present they're depreciated at different rates and that increases the complexity and the compliance burden of tax for small business.

For other than long lived assets, we'll pool them into one pool and they'll all be written off at the rate of 30 per cent a year. So that's for assets valued at more than \$5,000.

As I say, for those that are valued at less than \$5,000 they can be written off in the year in which they're purchased.

**MAHER:** The company tax will be cut, but the employers' superannuation contribution is set to rise. We'll be talking more about superannuation and how it impacts on individuals soon, but the Shadow Treasurer, Joe Hockey, is saying today that this is going to cost small business approximately \$10 billion a year, but the tax cut gives them just \$200 million per year and he says most won't qualify.

**EMERSON:** No, most won't qualify for the tax cut?

**MAHER:** Mmm.

**EMERSON:** Seven hundred and twenty thousand businesses, I reckon that's a pretty large number of businesses. That's how many incorporated small businesses there are.

There's 2.4 million small businesses in total, 720,000 of those are companies and, as I said and as Joe Hockey knows well but doesn't say this in his media appearances, for all small businesses, whether they're companies or not, they get the advantage of this very rapid write off of the cost of assets...

**MAHER:** But he's right in saying that most small businesses, if you include partnerships and the like, will not benefit from the company tax cut. But going to this point about the...

**EMERSON:** But we said that very clearly. We haven't said anything different. We were the ones who provided the figure of 720,000 businesses in the documentation.

This is something that the government has made very clear, that all small businesses, all 2.4 million small businesses will get this investment incentive and I think that is a very important incentive for them which Joe Hockey wants people not to know about.

Well I'm making sure they do know about it.

**MAHER:** What about the added impost though of the higher employer super contributions that business will have to make?

**EMERSON:** Well let's keep this in perspective. This is a three per cent addition to wage bills for employing small businesses over a period of something like seven or nine years - a three per cent in their wage bill after a couple of years, it starts at a quarter of a percentage point and Joe Hockey wants your listeners to believe that that will destroy small businesses.

I mean, the fact is it was a Labor government, the previous Labor government - Hawke and Keating – that brought in superannuation for working people. The coalition was extremely hostile to that, did everything they could to stop it.

And even in 1996 when we were going to - the Keating government had already budgeted to increase that from nine to 12 per cent - the incoming Howard government had promised to keep that. They ditched it.

That's why we're at nine per cent now. We will go to 12 per cent but we'll do it over a long period of time.

**MAHER:** Are employers, though, likely to use this as a bargaining chip against pay rises that employees might deserve?

**EMERSON:** Well again, I ask you and your listeners to keep this in perspective: a quarter of a percentage point, a quarter of a per cent, and then a half a per cent.

**MAHER:** So are you saying that business owners will hardly notice it?

**EMERSON:** Well it's - in the scheme of things, compared with other cost increases and the general inflation rate which is usually around three per cent, I wouldn't say a quarter and then a half a percentage point is a huge number.

Now I'm not saying it is completely immaterial and I imagine that there would be discussions between employers and employees, but this government is proud of its record for introducing superannuation for working Australians. We got it up to nine per cent. The coalition stopped it going from nine per cent to 12 per cent when they got in in 1996.

Now it will go to 12 per cent but spread out over a very long period of time, and thereby already we've got in national savings more than a trillion dollars of Australian savings being invested. This will substantially increase that and I reckon if your listeners were asked they'd say we think the superannuation guarantee is a good thing.

**MAHER:** 1300 681 666 is the number if anyone would like to have, if you'd like to have your say, 1300 681 666 or text 199 22 666.

Craig Emerson is the Federal Minister for Small Business.

How do you respond to the wider criticism today, Craig Emerson, that the government has squibbed the opportunity for major tax reform across the board as a result of the Henry review with so many of the recommendations, as I said at the start, not being implemented?

**EMERSON:** Well the very large and important recommendations we are implementing. We're introducing resource tax, as you know, as your listeners know. We are providing tax relief for small businesses. We are spreading the superannuation guarantee to make sure that not only is it increased but that low income earners, Louise, have an extra return from when they make their decisions to invest in superannuation.

Effectively what we're doing is that for those low income earners they'd ordinarily be paying a 15 per cent contribution tax. We'll rebate that. So

that's incentive for the low income earners many of whom, by the way, are women and...

**MAHER:** We will be talking - we will be moving on to superannuation in just a minute, but out of the 138 recommendations and two years of work by Ken Henry and his team, and most of it is just going to sit there.

**EMERSON:** Well it's a 10 year blueprint and there's a number of measures that we are not going to implement. We said at the outset that this was an independent review by an independent review team. It did not mean, and never meant, that the government would pick up each and every one of those recommendations.

It's a 10 year blueprint. There are other recommendations that could be considered in the fullness of time because they have not been absolutely ruled out, but they are not government policy at this stage.

We think this is a pretty substantial down payment on tax reform in this country. The first time, really the first time since 1985 that there's been a substantial tax reform in this country unless you count John Howard's GST which he introduced in 2001.

So we think that this is a very solid effort and the benefits will flow obviously to every working Australian through the super and to small businesses in particular.

**MAHER:** One of our listeners wants to know about the extra hike on small business owners that comes into effect on 1 July, a levy for long service, 1.67 per cent.

**EMERSON:** Well I'm not absolutely aware. Maybe that is in relation to the award modernisation. I'd be happy to follow that up but that's nothing to do with the Henry tax review.

**MAHER:** All right, Craig Emerson, thank you so much for doing this this afternoon.

**EMERSON:** Okay, thanks, Louise.

**MAHER:** Craig Emerson who is the Federal Minister for Small Business.