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Transcript
2SM Breakfast with Grant Goldman
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E&OE

Subjects: Small business and the Budget.

GOLDMAN: Yes, the Federal Government will begin selling its no-frills Budget - is that what you'd call it, a no-frills Budget? I don't know about that.

Anyway, in an election year, of course, it's always going to be tough, and they'll be looking to sell itself as the better economic managers.

And just on the economic management of small business, I thought I'd get onto the Labor Small Business Minister, Craig Emerson. Morning Craig.

EMERSON: Good morning, Grant.

GOLDMAN: Some good signs there for small business?

EMERSON: Yes, indeed. The economy's recovering very quickly, which is great overall, but I would say that small business is still doing it pretty tough compared with other parts of the economy. So we want to support small business by giving them tax breaks. They'd be able to claim the full cost of any asset up to \$5,000 as a deduction in the year in which that occurs.

GOLDMAN: Mmm hmm.

EMERSON: So, for example, it might be - for someone doing lawn mowing, a ride-on lawn mower, it could be a welding machine, could be a laptop computer, office furniture, so that'd be a cash flow boost for small business and a head start on reducing the company...

GOLDMAN: Okay. Just as an example - can we do one?

EMERSON: Yeah, sure.

GOLDMAN: I've just spent \$15,000 on the recording studio at home. We went with the computer and the whole bit. So spending \$15,000 as a small business, what would that reward we - reward me with?

EMERSON: We would be able to - on an asset costing more than \$5,000, which this one does, it'd be written off at a single rate of 30 per cent a year. But for assets costing less than \$5,000, the sorts of things that I talked about, a welding machine and so on, they could be written off in the year of purchase.

GOLDMAN: Mmm.

EMERSON: So, a cash flow boost. The other thing...

GOLDMAN: So am I right? Off air, I was working it out, about \$4,000 something...

EMERSON: Yeah, whatever - no, yeah, that's right. Or whatever 30 per cent of 15,000 is \$4,500, I think.

GOLDMAN: Mmm.

EMERSON: So that's a cash flow boost, and that's for all small businesses, Grant. The Coalition has been saying, oh, if you're not a company, as a small business, you don't get a tax break. That's untrue. But, in addition, if you are a company as a small business, you get a head start reduction on the income tax rate of 30 cents going down to 28 cents.

GOLDMAN: Mmm. How about - anything there that's protectionist to look after the small business as far as taking on the big boys and I - maybe I'm talking about a small grocery shop taking on Coles and Woolworths.

EMERSON: Yeah, sure. Not in the Budget as such, but this is one of my areas of responsibility, so we've got legislation going ahead on what's called creeping acquisitions. So if the large guys start taking up all the sites in small areas, we would have laws to deal with that. And secondly, if the big guys engaged in what's called predatory pricing, where they drop their prices for a period of time to drive out the competition, we've got new laws to deal with that as well.

GOLDMAN: Mmm.

EMERSON: But look, Grant, overall, I think it is probably reasonably well described as a no-frills Budget. We're returning the Budget to surplus three years earlier, and that's as a result of the strength of the economy. That's also the effort of so many working Australians and small businesses in working with the Government in getting through this global recession.

GOLDMAN: Mmm.

EMERSON: We're the only country that - of the advanced world that didn't go into recession. I heard you talking to Warren about net debt. Well, our net debt would peak at just a little over 6 per cent of GDP, giving us, again, the lowest net debt of advanced countries in the world. So that's a pretty good performance.

GOLDMAN: I was just talking to Michael Stutchbury as well from The Australian newspaper before seven o'clock this morning. He thinks this is a pretty good Budget as well, so you've got some support there.

EMERSON: And he's a hard man. I

GOLDMAN: I thought that. I thought that at the time. I thought well, wait a minute, I thought he'd climb into it a bit more than he did. He's being a bit of a cheerleader there. Of course, he's reminded us that we did avoid the worst of the global economic downturn. By hook or by crook, however we did it, we seemed to have done it. But is there some kind of problem down the track when eventually we've got to pay back what we borrowed to override that recession?

EMERSON: Well, because the economy is going so strongly, we will be able to pay down that net debt much quicker. And it is the lowest in the world.

Now, I will acknowledge - people say, oh well, why don't you acknowledge what the previous government did. I will.

GOLDMAN: Mmm.

EMERSON: The previous government, you know, ran surpluses for several years. It was true then that money was raining from the sky from China, but let's give credit where credit's due. It ran surpluses.

GOLDMAN: Mind you, with a 40 per cent tax, it's going to be raining even more [laughs].

EMERSON: Well that...

GOLDMAN: It's become a tsunami.

EMERSON: And that resources tax - the Resource Super Profits Tax - will pay for the tax relief for small businesses, for a general reduction in the company tax rate for all businesses. Also importantly, it contributes to the increase in superannuation for working Australians from 9 per cent to 12 per cent, which will be phased in over several years.

GOLDMAN: There might be an argument there too, if we're climbing into the mining industry - mind you, they might be sabre rattling a little bit, climbing into the mining industry, that could affect those superannuations which are, by and large, investments in minerals.

EMERSON: Well, I can report to you my experience nearly a quarter of a century ago, as an adviser to the Hawke Government when we introduced a petroleum resource rent tax, and all the prophesies were the same. That tax has been in place for 25 years.

The previous government didn't abolish it. They said they oppose it, yet they collected \$16 billion from it.

GOLDMAN: Mmm.

EMERSON: But more importantly, the oil and gas industry has flourished under it. You've got the big Gorgon gas project in West Australia, Pluto ... The life of Bass Strait has been extended by about three decades.

All under this 40 per cent profits-related tax, which is very similar to the Resource Super Profits Tax.

So, of course, we're going to get people saying they'd rather pay less tax than more. But let's remember this too, Grant, these resources are owned by the people of Australia and, therefore, the people of Australia deserve a return from the development of the resources.

GOLDMAN: Mmm, that's right. And it remains to be seen whether or not that they go offshore, or stop exploration or wind back on the services, but we'll see about that.

Thanks for talking this morning, I've got to go.

EMERSON: Okay, no worries.

GOLDMAN: Thanks Craig.

EMERSON: Thanks.

GOLDMAN: Craig Emerson, Labor's Small Business Minister.