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ABC 2

Interview with Virginia Trioli

FRIDAY, 12 DECEMBER 2008

E&OE

SUBJECTS: Small business tax initiative

TRIOLO: The Federal Government has announced tax breaks for small business early in the new year - the quarterly pay as you go tax instalment which is due in January or February by 20 per cent. For more, the Federal Small Business Minister Craig Emerson joining us now from Canberra. Minister good morning.

EMERSON: Hi Virginia.

TRIOLO: First of all it's been described by some papers as a tax cut but really it's just a deferral.

EMERSON: It's really a deferral but that is \$440 million of tax that would otherwise be payable very early in March will now not be payable. The businesses that are in this system will get their tax amount due and then will be able to reduce that by 20 per cent. At the end of the financial year there will be a reconciliation so if their profits were up they would pay a bit more tax and if they were down they wouldn't. The main benefit of it is that it's a \$440 million boost to the cash flow of small business at a time when it's likely to be very useful.

TRIOLO: Talk me through the thinking behind this Craig Emerson. Is it a case of times being so difficult or are about to get difficult for small business that you need to do this or that you believe you might be able to get them through the next six months to the up tick and you're just buying some time to get them through to the economy turning the corner. Which is it?

EMERSON: Well that's right. We want to be ahead of game here not waiting to see what happens in March. On all of the strategy we've adopted on the global financial crisis we want to be ahead of the curve so we're anticipating that there could be some cash flow difficulties for small businesses around February, March. You know that doesn't require rocket science. The

Christmas spending period will be over. People will probably be paying off their credit card debts so there might be a bit of downturn in their business. This is a way of injecting \$440 million of cash flow into those businesses. At that time as at all times cash flow is king. And if we can boost the cash flow of small businesses then that improves their viability but also importantly, Virginia, it improves the prospects of being able to retain the three and half million staff that are employed in these businesses.

TRIOLI: So it's not so much that you're hoping or anticipating a bit of upturn?

EMERSON: There will be upturn at some stage but we don't have a crystal ball. The international situation is not pretty at all. So far in Australia, fingers crossed, we seem to be going okay. One of the reasons we seem to be going okay apart from the competitiveness of Australian business is that we have acted early and we have acted decisively and will continue to do so. We are anticipating what could potentially happen next year around February or March and acting now so we can avert those sorts of things happening to the maximum possible extent. It is about being ahead of the curve and that's what we're trying to do. This is really a substantial boost for those 1.3 million small businesses.

TRIOLI: Can the budget bottom line do without this money?

EMERSON: Well we have to do everything we possibly can to navigate our way through the turbulence that has been created by the global financial crisis. That's responsible economic policy. It would be irresponsible to sit back and say let's see what happens, see how things pan out and react then. With these things Virginia, business confidence is really important. This will be not only a boost to business cash flow it will be a boost to business confidence. If you were a small business knowing that come early March there will be a 20 per cent cut on tax payable you are going to be more confident about the future. We think that's a really vital ingredient and we're doing everything we can to navigate our way through this turbulence.

TRIOLI: The Prime Minister last night on the 7.30 Report indicated that there might be another stimulus package forthcoming in the new year. As Small Business Minister which area, which part of the economy, would you like to see that apply to?

EMERSON: We're acting here with small business. The \$10.4 billion economic security strategy, though the money flows to pensioners and families with small children, the benefit of that will very much include small business. Everything we've done is very much with small business in mind. They are big employers. A total of nearly four million working Australians are employed in small businesses and this particular initiative will benefit businesses that employ three and a half million of those so we're doing everything we can to navigate our way through this turbulence.

TRIOLI: You've neatly dodged that one so we'll save that discussion for another time perhaps. Maybe when the next stimulus package comes through. Craig Emerson thanks so much.

EMERSON: OK. Thanks Virginia.

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