



SPEECH

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TAX LAWS AMENDMENT (SIMPLIFIED GST ACCOUNTING) BILL 2007 Second Reading

[Dr EMERSON](#) (Rankin) (5.34 p.m.)—Labor support the [Tax Laws Amendment \(Simplified GST Accounting\) Bill 2007](#) because it is Labor policy. It is astonishing that previous government speakers have challenged that very proposition, that fundamental truth. Not only do we support this legislation; we are proposing a second reading amendment which says:

“whilst not declining to give the bill a second reading, the House calls on the government to assure Australian small businesses that it will not instruct the Australian Taxation Office to issue unfavourable GST ratios to businesses that apply for them, thereby negating the benefits of BAS Easy”.

Why would the Labor Party express concerns through a second reading amendment as to the true intentions of this government? The answer is: the government has form. Whenever it is in the shadow of a federal election, it changes its tack. In areas where Labor has called for reforms, the government steadfastly refuses to implement them, but, as it approaches an election, under political pressure—which seems to be the only pressure to which this government responds—it changes its position.

That is why we doubt the bona fides of the government. We are concerned that, if this government were re-elected, it might well seek to negate the very intent of this legislation based on Labor policy because it has opposed Labor's ratio method and BAS Easy for five years. In the shadows of the election, going down the straight, as it approaches the post, suddenly there is a conversion. Suddenly the government is saying this is all its idea; it had nothing to do the Labor Party whatsoever—but in fact it is implementing Labor policy. We do remain sceptical. We remain cynical about this government's motives and because it only seems to respond to political pressure.

I will give some background as to what the legislation actually involves. The GST was implemented in July 2000. The law, even at that time, enabled the Commissioner of Taxation to offer what are called 'simplified accounting methods' for use by eligible businesses. These are businesses that must be in the simplified tax system. They are essentially small businesses. Over time, from July 2000, the availability of these simplified accounting methods has been extended to include a wider range of eligible businesses. Simplified accounting methods are now available for eligible food retailers, including supermarkets, convenience stores, restaurants, cafes and caterers.

A brief history, therefore, is that the simplified accounting methods, which essentially are modelled on Labor's ratio method, did apply from July 2000 to a very narrow range of businesses. Those businesses were identified—specified businesses operating as mixed food retailers. By 'mixed food retailers', I mean retailers of food that had a mixture of GST and non-GST sales and/or GST and non-GST purchases. But it was a very limited class of small businesses that could avail themselves of this shortened, simplified method of calculating their GST obligations. The Banks committee report recommended an expansion of the eligibility of businesses for these simplified accounting methods, and the government did decide to expand its coverage to further food retailers, including restaurants, cafes and caterers—another good development.

The purpose of this legislation is to answer Labor's question: why not extend it to all small businesses? And that is what this government is doing in this legislation, because from 1 July this year the Commissioner of Taxation will be able to determine, in writing, simplified accounting methods for businesses, or other entities such as charities, that have a turnover of less than \$2 million and have a mixture of taxable and GST-free supplies or make acquisitions—that is, purchases—of supplies, some of which have GST on them and others of which do not. So the government is embracing Labor policy.

I have here a document that exposes the incorrect assertions on the part of the government that this legislation did not have its genesis in Labor policy. This document is a departmental brief to the Minister for Small Business back in 2001. The heading of the document is 'Ratio method for GST'. This is the ratio method that the member for Indi and other government speakers said never existed. This document is not a fabrication; it is a leaked document from the department. And I can tell you who leaked it: the minister. The minister gave it to AAP. He thought he was onto something really big, because there were some caveats put in this document by the department as to our ratio method. But fundamentally it said this, under the heading of 'Comment':

A ratio times turnover method is a reasonable option for calculating GST, as long as the ratio continues to be an accurate reflection of the net GST position of the business. As the actual turnover figure in a quarter is the basis for the calculation, it can be a sound means of reflecting seasonal or abnormal fluctuations, provided the basic composition of the business's trading circumstances does not change.

That is an endorsement of Labor's ratio method, an endorsement of a method that the member for Indi and other speakers said never existed. They said that this was not based on Labor policy. Well, it was. And I would add that the qualification that the department made in saying 'provided the basic composition of the business's trading circumstances does not change' is a situation which Labor had anticipated under the ratio method—that is, if the nature of the business did change then there would be a new ratio. Even that qualification was well anticipated under Labor's ratio method.

In his National Press Club speech of earlier in 2007, the Labor leader, Kevin Rudd, announced that, if we were to be elected to government, Labor would implement an option called BAS Easy. The name is simple; the method is simple. It essentially would pick up on the simplified accounting methods, which themselves are based on the ratio method. There are two different types of rules under the simplified accounting methods. One is called the business norms method, and the other is called the snapshot method. Under BAS Easy, Labor proposed that the snapshot method apply to small businesses—that is, businesses with a turnover of less than \$2 million. The way it would work is that the small business would take a snapshot of its GST transactions for one month, twice a year, and then apply the resulting ratio to its GST transactions for the rest of the year. That means that it would only have to do GST bookkeeping for two

months out of 12 months, saving most of the bookkeeping time and effort that is currently devoted to being unpaid tax collectors for this government. That is what the Labor leader announced at the National Press Club. He also said that the other option would be a business norm—that is, the tax office would issue a ratio to the eligible small business, and that ratio would then be applied. Does that sound familiar? It should—it is the ratio method. It is BAS Easy, and it is this legislation: the Tax Laws Amendment (Simplified GST Accounting) Bill 2007.

Should Labor be happy? Yes, we are happy that the government has finally recognised that the GST bookkeeping burden is the No. 1 bugbear of small business in Australia. How do we know that? Because an MYOB survey, a special survey on red tape, was conducted in January 2007. The issue that came up time and time again in that survey as the No. 1 problem was GST bookkeeping.

I spoke of the political motivation of the government. Members who were in the parliament in 2001 will recall that the government was in a lot of political trouble, having slid dramatically in the opinion polls, and was facing defeat in the Ryan by-election. There were two problems: high petrol prices—and after the Ryan by-election the government abandoned the indexation of petrol excise—and the unbelievable complexity of the business activity statement and the GST bookkeeping requirements. After the Treasurer said in January of that year, 'No more amendments—we have got it right this time', the government belatedly said, 'We will simplify the BAS process. We will simplify the GST bookkeeping requirements.' Since that time the government has steadfastly maintained that there is no problem. If there is no problem, why do we have this legislation in front of us? The answer to that question is that there has always been a problem.

Any good representative of his or her constituents would know from speaking with small businesses and independent contractors that doing the GST bookkeeping drives them nuts. It is an issue that goes beyond just spending a bit of time after work. It is an issue that goes to the heart of what was once described by the Prime Minister as the big barbecue stopping issue of our time, and that is the balance between work and family life. The reason I say that is this: very often the spouses of tradespeople or independent contractors do the GST bookkeeping. It is the spouse who is stuck at home or has to go into work to do it, taking time away from caring for children and from working with their partners to expand the small business. This is a human issue. The Prime Minister talks about the human dividend from economic growth. What about the human cost of being burdened with this inordinately and unnecessarily complex GST?

At the time the government introduced the GST in 2000 the Treasurer of Australia repeatedly described it as a new streamlined tax system for a new century. Streamlined! It was inordinately complex and the government amended it so many times we lost count. But they did not fix the BAS burden. This legislation goes some way to improving the situation for small business of GST bookkeeping. It picks up on Labor's BAS Easy proposal, as unveiled formally by Labor leader Kevin Rudd. The Council of Small Business Organisations of Australia, under the heading 'BAS Easy Looks Good to Small Business', said in response to Labor's BAS Easy proposal:

The CEO of the Council of Small Business Organisations of Australia (COSBOA), Mr. Tony Steven, has welcomed the ALP proposal, BAS Easy.

For all small businesses working under a revenue threshold of 2 million dollars a year the BAS Easy system is a simple and practical answer to the current BAS red tape.

Taking an opt-in approach will allow those businesses that are working with few or no staff to adopt the new BAS Easy system and save time and effort should they so wish.

Mr Stevens was obviously praising Labor's BAS Easy. He was also pointing out that it is an option. Small businesses that have got used to the current BAS bookkeeping requirements and wish to stay with them are free to do so under BAS Easy. I also point out that they are free to do so under this legislation—and so it should be. Mr Stevens, in response to the foreshadowing of BAS Easy—separately to what he said to the *Australian Financial Review*—said, 'It—BAS Easy—'looks like a positive thing for small business and particularly for very small business.' Hear, hear!

Labor conceived of these ideas almost six years ago. I remember, as you would Mr Deputy Speaker, sitting in this parliament while at that dispatch box the Treasurer ridiculed the ratio method. The Treasurer said that the ratio method would either cause small businesses to pay too much in GST or cause revenue to suffer because small businesses that were better off under the ratio method would opt for it, and those that were not better off would not. The Treasurer's attack came from both sides—either small businesses would pay too much or they would pay too little. If that criticism, which he launched time and time again, was valid then it applies to the Tax Laws Amendment (Simplified GST Accounting) Bill. How can the Treasurer have it both ways? It does not automatically follow that small businesses would pay too much or too little. If the Treasurer truly understood the complexity of the BAS he would understand that many small businesses would rejoice in not having to do all the GST paperwork. We come into this parliament and hear coalition members saying that Labor has no experience with small business. I wonder whether the Treasurer does. Does he not understand that small businesses could save time and money by not having to do the complex GST paperwork? He certainly has not understood that through most of the period since 2000, but apparently he now does.

So, if Labor is so happy about the government introducing the amendments for which we have been calling for so long, why would we move a second reading amendment? The reason is we do not believe the government has its heart in this. Labor believes that the government has done this only under political pressure, just as it rolled out its own broadband idea yesterday in response to the political pressure from Labor and just as it has said it is going to have an inquiry into petrol prices in response to the political pressure from Labor. Whenever there is some political pressure, the government responds—and the government is responding today. If this legislation were implemented properly, in good faith, then it would be a very good piece of legislation. The problem with it is that in the end it only allows eligible small businesses to approach the tax office for a discussion. They can go to the tax office and ask for a ratio to be issued. The tax office will decide, firstly, whether a ratio will be issued to the particular small business and, secondly, what the ratio is.

A tax office, under the instruction of a treasurer who did not believe in any of this but just wanted to cover a political base, could well either refuse to issue a ratio or issue a ratio that is so blatantly unfair and so blatantly unfavourable to the applying small business that the small business owner would throw up his or her hands and walk away. It sounds to us that that is just as the Treasurer would want it. So we will move a second reading amendment to indicate our concerns about the bona fides of the Treasurer and about whether—if the Howard government were re-elected—this would in fact be put in place in good faith, because the Treasurer has never believed in the ratio method and has never believed in the BAS Easy proposal. Indeed, the Treasurer said to the *Australian Financial Review* after BAS Easy was released that he did not support Labor's BAS Easy proposal. In the story, which was headed 'Costello sour on Labor's BAS sweetener,' he condemned our proposal. But, as the *Australian Financial Review* pointed out, the difference between Labor's plan and what the government had

already done was that the plan extended it to all eligible small businesses. That is what this legislation does. We support the legislation, and we call on the government to declare its bona fides in this matter, because it does not have a very good track record. I move the second reading amendment:

That all words after "That" be omitted with a view to substituting the following words:

"whilst not declining to give the bill a second reading, the House calls on the government to assure Australian small businesses that it will not instruct the Australian Taxation Office to issue unfavourable GST ratios to businesses that apply for them, thereby negating the benefits of BAS Easy".

The DEPUTY SPEAKER (Hon. DGH Adams)—Is the amendment seconded?

[Mr McClelland](#)—I second the amendment and reserve my right to speak.