



The Coalition's plan for real action to  
**support small business**

**Stand up for Australia.  
Stand up for real action.**

# EXECUTIVE SUMMARY

The Coalition has always been the party of small business.

We understand that the small business sector is the engine room of the Australian economy. Small business creates jobs and we are committed to helping small businesses to grow and prosper.

Unlike Labor's hollow promises and 'feel-good' slogans, the Coalition will take real action to support and nurture small business.

The Coalition will implement a comprehensive action plan which will make a real difference to the small business sector.

To help the small business sector, a Coalition Government will:

## **1. Cut Company Tax from 30 per cent to 28.5 per cent**

Under the Coalition, the company tax rate will be reduced to 28.5 per cent from 1 July 2013. This will provide a tax cut to all Australian companies.

## **2. Reward calculated risk-taking to grow small businesses**

The Coalition will work with regulatory authorities to ensure that the commitment of personal guarantees and private asset mortgage is rewarded by more affordable and improved access to small business finance.

## **3. Help small business attract and retain workers**

Small businesses, independent contractors and the self-employed will benefit from the Coalition's plan to provide paid parental leave to working women for six months at their full salary. This will help small business attract and retain a stable workforce.

Under the Coalition's paid parental leave plan, small business will not pay the levy and they will not administer it. This means that under the Coalition's scheme, employees taking paid parental leave will be paid directly by the Government. Business does not have to find the money under our scheme and wait to be reimbursed—Government will be the paymaster, not business. Unlike Labor's scheme, which places an administrative burden on small business, the Coalition's paid parental leave plan will be administered by the Family Assistance Office.

## **4. Extend 'Unfair Contract' protections for small business**

The Coalition will extend unfair contracts protections currently available to consumers to cover small business.

## **5. Provide a fairer deal on personal services income tax**

The Coalition will not change current laws relating to the treatment of personal service income.

## **6. Improve small business access to Commonwealth contracts.**

The Coalition will require departments and agencies to use tender procedures and procurement practices that do not disadvantage small business participation and instead, actively encourage it.

## **7. Get 'fair dinkum' about paying small business bills on time**

The Coalition will ensure that Commonwealth departments and agencies will meet their obligations to small business suppliers by adopting a 'pay on time or pay interest' basis and apply this to all interactions with Government, not just formal contracts.

## **8. Establish a dedicated advocate - the Small Business and Family Enterprise Ombudsman**

The Coalition will give small business a real voice through the creation of a new Small Business and Family Enterprise Ombudsman.

## **9. Put small business in Cabinet where it belongs**

In the next Coalition Government, the minister with direct responsibility for small business will have Cabinet status.

## **10. Give small business a say in taxation**

The Coalition will ensure, through future appointments, that there is always small business representation on the Board of Taxation.

## **11. Encourage a better understanding of fair commercial conduct**

The Coalition will ask the Small Business and Family Enterprise Ombudsman and the ACCC to work together to develop a series of best practice guidelines to explain and encourage 'fair commercial conduct'.

## **12. Get government off the back of small business**

The Coalition has also identified a number of areas of government activity where a little common-sense and understanding can help get government off the back of small business. These include:

- Simplified procedures and greater use of technology by the Australian Tax Office
- Genuine consultation with the Small Business sector on changes in Government-imposed fees and charges
- Cabinet assessment of potential small business impacts

### **13. Reduce the Compliance Burden on small business**

The Coalition will reduce the compliance burden on small business through several measures.

- Adopting the principle of minimum effective regulation for proposals to amend or extend compliance burdens on small business.
- Including responsibility for compliance reduction in the job description of every Minister
- Requiring the Australian Accounting Standards Board to justify additional disclosure and compliance obligations

The Coalition is committed to the small business sector and determined to ensure that government makes it easier, not harder, for small business to prosper and grow.

Only the Coalition has a plan for real action to help small business.

# HOW LABOR HAS FAILED

After three years of Labor, Australia is heading down the wrong track.

Reckless spending, nearly \$90 billion of debt, a \$57 billion deficit and Labor Government borrowings of \$100 million every day have put the Australian economy in a highly vulnerable position.

Labor's debt has also put upward pressure on interest rates at a time when Australian families are struggling to meet increased costs of living.

Labor's failures have made life harder for small business operators. The men and women of Australia's small business sector work hard, take risks, and create jobs right across the economy. They deserve a government that supports them.

Labor's debt is sucking up over \$100 million dollars of available finance every day. These funds would otherwise be accessible to small business to borrow for business expansion.

Before the 2007 election, Labor promised not to increase the compulsory superannuation guarantee. Since then Labor has broken this commitment, increasing potential costs for small business employers by 33 per cent.

Labor has compounded this broken promise by cynically pretending that this increase will be paid for by the proposed mining tax – yet the reality is that it is a cost that will be borne by employers or taken out of workers' take-home pay.

Labor has also burdened small business with the role of 'government paymaster' – forcing small businesses to administer Labor's inadequate paid parental leave scheme.

Before the 2007 election Labor promised not to change current tax laws for independent contractors and the self-employed. After the election, at the urging of the unions, Labor then instigated a review by the Board of Taxation.

Despite Labor's 'no change' promise, the Board of Taxation has proposed radical changes to the law. These recommendations will punish the self-employed and independent contractors.

Labor has made much of its promise to pay small business accounts within 30 days. However, Labor has limited the application of this pledge to formal contractual relationships, excluding general obligations to pay – obligations that are experienced by most small businesses.

Labor is addicted to ensnaring business in more red tape. Despite promising a 'one in, one out' approach to regulation before the last election, Labor has actually introduced 9,997 new regulations and only repealed a paltry 52.

Labor hasn't even bothered to elevate the Small Business Minister to Cabinet, effectively ignoring the small business sector in every single important decision made by Cabinet.

On almost every level, with every decision, Labor has made it harder for small business.

# THE COALITION'S PLAN FOR REAL ACTION TO SUPPORT SMALL BUSINESS

The Coalition believes in the importance of small business as the engine room of the Australian economy.

The Coalition will take real action to provide the small business community with the support needed to get on with the job without unnecessary government interference.

This action plan will support small business and jobs growth and help create the economic conditions for success.

The Coalition's real action plan recognises that a thriving small business sector is a key contributor to a prosperous Australia, to sustainable economic growth and community vitality.

## **1. Cut Company Tax from 30 per cent to 28.5 per cent**

The Coalition is committed to delivering lower, fairer and simpler taxes. We have a strong track record of doing so – and if elected we will do it again.

Under the Coalition, the Company Tax rate will be reduced to 28.5 per cent from 1 July 2013. This will provide a tax cut to all Australian companies.

Labor's economic waste and mismanagement is forcing up government debt to nearly \$90 billion, leaving the economy in a highly vulnerable position. This debt must be brought under control. Under the circumstances, the Coalition will deliver only modest, targeted and economically responsible tax relief in our first term.

## **2. Reward calculated risk-taking to grow small businesses**

The Coalition will work with regulatory authorities to ensure that the commitment of personal guarantees and private asset mortgage is rewarded by more affordable and improved access to small business finance.

Two-thirds of small business lending is secured against residential property.<sup>1</sup> This means that family homes are put on the line to raise capital or to secure lines of credit. In addition to the commercial risk, this places additional stress on small business owners and their families. It also results in banks favouring home lending as a safer, more commercially effective and profitable use of available capital.

1. COSBOA, Discussion points for presentation to the Minister for Small Business' Banking and small business round table (Appendix 1 to COSBOA's Submission to the Senate Economics Committee Inquiry into Access of Small Business to Finance, Commonwealth Parliament, March 2010, page 3.

The Coalition wants lenders' capital, liquidity and security requirements for small businesses to be as practical and realistic as possible. The Coalition will work with regulatory authorities to ensure that the commitment of personal guarantee and private asset mortgage is rewarded by more affordable and improved access to small business finance.

The Coalition will commit \$3.5 million towards implementing this initiative.

### **3. Help small business attract and retain workers**

Small businesses, independent contractors and the self-employed will benefit from the Coalition's plan to provide paid parental leave to working women for six months at their full salary. This will help small business attract and retain a stable workforce.

Under the Coalition's Paid Parental Leave plan, small business will not pay the levy and they will not administer it. Unlike Labor's scheme, which places an administrative burden on small business, the Coalition's paid parental leave plan will be administered by the Family Assistance Office.

This means that under the Coalition's plan, employees that take paid parental leave will be paid directly by the Government. Business does not have to find the money under our plan and then wait to be reimbursed – Government will be the paymaster, not business.

### **4. Extend Unfair Contract protections for small business**

In dealing with big business, smaller enterprises may be subject to standard form contracts on a 'take it or leave it' basis, with little opportunity to vary the terms. This can create a significant imbalance in the rights and responsibilities of each of the parties.

The Coalition will provide a 'fair go' for small business by extending the unfair contracts protections currently available to consumers to cover the small business sector. This will remedy Labor's unexplained back-flip not to include business-to-business standard form contracts in the unfair contract laws.<sup>2</sup>

The Coalition will provide \$1 million to implement this initiative.

### **5. A fairer deal on personal services income**

The Coalition will not change current laws relating to the treatment of personal service income.

No case has been made to justify changes to force independent contractors and the self-employed into more 'employee-like' arrangements.

2. COSBOA, Discussion points for presentation to the Minister for Small Business' Banking and small business round table (Appendix 1 to COSBOA's Submission to the Senate Economics Committee Inquiry into Access of Small Business to Finance, Commonwealth Parliament, March 2010, page 3.

Before the 2007 election Labor promised not to change current tax laws for independent contractors and the self-employed. After the election, at the urging of the unions, Labor then instigated a review by the Board of Taxation.

Despite Labor's 'no change' promise, the Board of Taxation has proposed radical changes to the law. These recommendations will punish the self-employed and independent contractors.

The Henry Tax Review supported this change and so far Labor has refused to rule out these recommendations.

## **6. Improving small business access to Commonwealth contracts.**

Small businesses face significant obstacles in securing government contracts.

Contracting documents and accompanying obligations, including excessively high indemnity insurance, can be excessively complex and impose barriers to small business participation in tendering for government contracts.

The Coalition will require departments and agencies to use tender procedures and procurement practices that do not disadvantage small business participation and instead, actively encourage it.

The Minister for Small Business will make an annual statement to Parliament on progress and Commonwealth departments and agencies will be required to publish their agencies' small business guidelines in their Annual Reports.

The Coalition will commit \$3 million towards the implementation of this initiative.

## **7. Get 'fair dinkum' about paying small business bills on time**

The Coalition will ensure that Commonwealth departments and agencies will meet their obligations to small business suppliers by adopting a 'pay on time or pay interest' basis.

Labor has made much of its promise to pay small business accounts within 30 days. However, Labor has limited the application of this pledge to formal contractual relationships, excluding general obligations to pay – obligations that are experienced by most small businesses.

Under the Coalition, all small businesses that provide services to the Commonwealth will get the benefit of a 'pay on time or pay interest' approach.

Unlike Labor, this won't be limited to only 'formal' contracts – it will apply to any small business that provides a service to the Government.

This will apply for all services provided by small business from 1 January 2011, providing certainty for small business.

If an account is not paid within the 30 days, interest will be applied at the same rate as the 'General Interest Charge' applied by the Australian Taxation Office to late tax payments. As an additional incentive to encourage on-time payments, department and agency budgets will not be topped up to cover their delinquency.

## **8. A dedicated advocate - the Small Business and Family Enterprise Ombudsman**

The Coalition will give small business a real voice through the creation of a new Small Business and Family Enterprise Ombudsman.

Just as there is a Fair Work Ombudsman to promote harmonious workplaces, the Small Business and Family Enterprise Ombudsman will promote the interests of small business in the halls of government.

The Ombudsman will be a policy activist within government, empowered to ensure that small business and family enterprise interests and concerns are registered and understood across all levels of government and the bureaucracy.

The Ombudsman will also support a single access point for current small business programmes, such as those funded by the Industry portfolio.

In addition, the Ombudsman will be an advocate for the small business sector, able to help small businesses resolve disputes with government departments and agencies.

The Coalition will consult with the small business community before establishing the Small Business Ombudsman through legislation.

The Coalition will provide \$6 million towards this initiative.

## **9. Putting small business in Cabinet where it belongs**

Labor has repeatedly overlooked the interests of small business in government decision-making.

The Coalition will reinforce the importance it places on small business by ensuring that it always has a place at the Cabinet table.

In the next Coalition Government, the minister with direct responsibility for small business will have Cabinet status.

## **10. Giving small business a say in taxation**

The Coalition will ensure through future appointments that the Board of Taxation will always include a small business presence.

The Board of Taxation is a non-statutory advisory body charged with contributing a business and broader community perspective to improving the design and operation of taxation laws.

The Board is tasked with advising the Treasurer on improving the general integrity and operation of the taxation system, and commissioning research and other studies on tax matters approved or referred to it by the Treasurer.<sup>3</sup>

Given this role, Board members who have practical day-to-day experience of running a small business should be included and have a say on matters affecting taxation policy and administration.

## **11. Encouraging a better understanding of Fair Commercial Conduct**

For many small business people, the concept of 'fair commercial conduct' is a maze of red tape and legal complexity. The Coalition understands that there is a need to promote fairer commercial conduct to promote enterprise, innovation and competition for small business vitality and community benefit. This starts with a better understanding of what 'fair commercial conduct' means.

A Coalition Government will task the Small Business and Family Enterprise Ombudsman, in conjunction with the ACCC, to prepare and publish a series of 'better practice' guidelines to explain and encourage 'fair commercial conduct'.

This information and education material will provide a plain-English explanation of 'unconscionable conduct' and practical examples of how the law works in operation.

## **12. Getting government off the back of small business**

The Coalition has identified a number of areas of government activity where a little commonsense and understanding can help get government off the back of small business. These include:

- Simplified procedures and a greater use of technology will be encouraged and proactively canvassed with the Australian Tax Office for responding to concerns and queries raised by small business taxpayers and their agents.

<sup>3</sup> As described on the Board's website: <http://www.taxboard.gov.au>

- Genuine consultation with the small business sector about changes in Government-imposed fees and charges to ensure that any change is implemented in a proportionate and equitable way. This will help avoid Labor's 'one-size-fits-all' approach to fees and charges imposed on small business. <sup>4</sup>
- Any significant proposal being considered by Cabinet will be accompanied by an assessment of the potential impact on small business. A number of Labor's most intrusive decisions with wide-ranging impacts lacked any commitment to reducing small business regulatory burdens and compliance costs. These decisions included the guarantee of bank deposits. <sup>5</sup>

### **13. Reduce the compliance burden on small business**

The Coalition will reduce the compliance burden on small business through several measures.

- The Coalition will adopt the principle of minimum effective regulation for proposals to amend or extend compliance burdens on small business.
- Under the Coalition, every Minister will be required to guard against growth in the regulatory burden and requested, where possible, to reduce existing red-tape. This responsibility will be included in the job description of every Minister, and they will be accountable to the Prime Minister and the Parliament for their performance.
- The Australian Accounting Standards Board will be required to justify additional disclosure and compliance obligations being imposed on non-listed enterprises in excess of adopting International Financial Reporting Standard for small to medium size businesses.

The Coalition is committed to the small business sector and determined to ensure that government makes it easier, not harder, for small business to prosper and grow.

Only the Coalition has a plan for real action for small business.

<sup>4</sup> Patrick Durkin 'Small Business Facing Fee Slug', The Australian Financial Review, 18 May 2010.

<sup>5</sup> Davie Crowe, 'Cabinet Decisions Lack Red Tape Checks', The Australian Financial Review, 17 December 2009.

# COSTINGS

In addition to the Coalition's \$2.5 billion commitment to reduce Company Tax from 30 per cent to 28.5 per cent, the Coalition will commit an additional \$13.5 million over the forward estimates towards these measures.

This funding will be provided from the over \$24 billion in recurrent savings that have been identified by the Coalition over the forward estimates.

These savings are a result of cutting Labor's waste and mismanagement and redirecting funding from inefficient and poorly performing Labor Government programmes.

	2010-11 \$M	2011-12 \$M	2012-13 \$M	2013-14 \$M	TOTAL \$M
Improving access to finance	2	0.5	0.5	0.5	<b>3.5</b>
Extending unfair contracts provisions	1.0	0.0	0.0	0.0	<b>1.0</b>
Improving small business access to Commonwealth contracts	1.5	0.5	0.5	0.5	<b>3.0</b>
Small Business and Family Enterprise Ombudsman	0.0	2.0	2.0	2.0	<b>6.0</b>

Authorised and printed by Brian Loughnane for the Liberal Party of Australia, Cnr Blackall and Macquarie Sts, BARTON ACT 2600.