



The Coalition's Policy for Small Business

August 2013

Key Points

The Coalition will end the neglect of small business that has been the hallmark of Labor's years in government.

Labor has had five different Small Business Ministers in little over a year – a measure of how little real commitment it has to the sector.

The Coalition understands small business and the vital contribution the sector makes to communities and our economy. We also understand the challenges and road-blocks that stand in the way of small business success.

An elected Coalition government will reduce the red tape burden and compliance costs on business by \$1 billion each year, including by giving small business a better way to pay superannuation and implementing a fair paid parental leave scheme where the government does the paperwork.

We will get rid of Labor's carbon tax, give small business a voice on key economic bodies, and transform Labor's toothless Small Business Commissioner into a Small Business and Family Enterprise Ombudsman with teeth.

The Coalition will protect the rights of independent contractors, extend unfair contract provisions to small business, and improve access to Commonwealth procurement contracts where the bills are paid on time.

Our root and branch review of the competition laws will ensure that both small and big business have a level playing field, assisted by helping small business better understand fair commercial conduct and a more effective Franchise Code.

We will ensure there is a small business minister in Cabinet who can oversee our plans to give small business better assistance when faced with disasters.

By making small business a portfolio in the Department of Treasury, the Coalition will ensure that the sector is front and centre of all economic and financial decisions and will not be left behind.



Introduction

The Coalition will end the neglect of small business that has been the hallmark of Labor's years in Government.

The Gillard-Rudd Government has made it harder, not easier, for small business every year.

Unlike Labor, the Coalition understands small business and the vital contribution the sector makes to communities and our economy. We understand the challenges and road-blocks that stand in the way of small business success.

The Coalition is committed to being the positive partner small business needs and to working as hard for the success of small business as those in these businesses do. We understand that the small business sector is the engine room of the Australian economy.

Under Labor, there are 3,000 fewer employing small businesses and the small business share of private sector employment has dropped from 53 per cent to well under 50 per cent.

At a time of difficult trading conditions, of new challenges in a changing economy and low consumer and business confidence, Labor is burdening small business with a punishing carbon tax.

Despite all of the carbon tax compensation that Labor likes to boast about, no direct compensation has been provided for the harm and hardship small business faces under the carbon tax.

The Coalition believes we must stop and reverse the decline in small business employment and prospects by partnering with small business people to support the sector to grow and prosper.

The Coalition's policy for small business will restore confidence in the sector, encourage growth, and drive employment and innovation.



The Plan

1. \$1 Billion Red Tape Reduction Per Year

The Coalition will reduce the compliance burden on small business.

By cutting the overall cost to business of existing regulations by at least \$1 billion each year, the Coalition will restore time, focus and resources back to small business to invest in their business success, rather than doing the government's work.

We will place small business interests at the heart of policy and programme design and ensure that, wherever possible, red tape burdens are minimal or reduced.

Real measures to reduce the regulatory burden include:

- providing a better way to pay superannuation for workers, by remitting compulsory superannuation payments directly to the ATO at the same time as they remit their PAYG payments, with the tax office distributing contributions to individual accounts;
- compelling the Australian Accounting Standards Board to justify any red tape burdens that go further than those set by the International Financial Reporting Standard for SMEs; and
- encouraging the ATO to make greater use of technology to deal with small business queries.

The Coalition will also restore regulatory impact statements for all Cabinet submissions, which will ensure the regulatory impact of any proposed legislation and policy on small business is carefully considered by Cabinet.

2. Boost Confidence and Competitiveness by Abolishing Labor's Carbon Tax

The Coalition will abolish Labor's carbon tax to restore confidence and competitiveness.

Labor has excluded small business from the carbon tax carve outs and compensation.

Small business cannot pass on the costs of a carbon tax to customers as easily as big business. Under the carbon tax small business has had to absorb, at a minimum, a 10 per cent hike in electricity bills and a 9 per cent hike in gas bills in the first year alone.

Tough trading conditions mean small businesses are on tight margins and cannot absorb cost increases that compound along the supply chain leaving small business to carry the burden.



With no other country imposing an economy-wide tax or a burden of such magnitude, small business is suffering most from the lack of support and impacts of the economic hardship it creates.

That is why a Coalition government will abolish Labor's carbon tax. This commitment will provide certainty to small business and restore the sector's competitiveness, viability and capacity to employ.

3. Small Business Company Tax Cut

The Coalition will cut the company tax rate by 1.5 per cent from 1 July 2015.

The new company tax rate of 28.5 per cent will encourage investment in Australian businesses and jobs during a time of economic uncertainty.

Lowering the company tax rate is part of our *Real Solutions Plan* to build a strong, prosperous economy with more investment and more jobs.

This is a tax cut that will boost jobs and strengthen the economy.

Our company tax cut is part of our *Real Solutions Plan* to create one million new jobs within five years. Along with our company tax cut, the Coalition will, if elected, abolish the carbon tax, abolish the mining tax, cut \$1 billion in red tape costs, establish a one-stop-shop for environmental approvals, restore the ABCC, and not proceed with Labor's \$1.8 billion FBT hit on cars.

Despite the Government's own Henry Review into tax noting that a company tax cut "will not only result in higher growth but is also likely to result in higher wages," Labor broke its promise to cut the company tax rate.

For six years Mr Rudd and Labor have talked about a company tax cut but have never delivered it.

The Coalition understands the clear connection between taxation policy and investment, jobs and increasing wages.

That is why we have consistently opposed the carbon tax and the mining tax.



4. Protect the Rights of Independent Contractors and the Self-Employed

The Coalition will continue to protect those who depend on independent contracting and self-employment for their livelihoods.

Labor has tasked The Fair Work Ombudsman, Australian Tax Office, and Australian Building Construction Commissioner to target independent contractors. This will eventually force them into union-controlled enterprise agreements.

This is an attack on the right of people to choose how they are engaged, how a project or service is approached and how they conduct their business relationships.

The Coalition will support Australian independent contractors and will not change current laws relating to the treatment of personal services income, in addition to resisting Labor's coordinated attack on the self-employed.

5. Root and Branch Review of the Competition Laws

The Coalition is committed to a root and branch review of the competition framework. We will ensure that all businesses, big and small, have a level playing field.

Labor has tinkered with the current laws but has consistently said that they do not need to be reviewed or changed.

Fair and effective competition is a vital element in ensuring a strong economy that allows small business to grow and prosper.

The Coalition will initiate an arms-length and independent examination of the current competition and trade practices framework and tools. It will examine how they are applied and what their outcomes are, if they are keeping up with emerging trends, and whether outcomes are consistent with what was intended.

6. Extend Unfair Contract Protections for Small Business

The Coalition will provide a 'fair go' for small business by extending the unfair contract protections currently available to consumers to cover the small business sector.

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.



In 2007, Kevin Rudd and Labor promised to give small business the benefit of unfair contract provisions but then dropped the promise after the election. The Coalition will remedy Labor's unexplained back-flip not to include business-to-business standard form contracts in the unfair contract laws.

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

7. 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 scheme, small business will not pay the levy and they will not administer the scheme.

Unlike Labor's scheme, which places an administrative burden on small business, the Coalition's paid parental leave plan will be administered by the Government's Family Assistance Office.

The Coalition's plan means 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.

8. Improving Small Business Access to Commonwealth Contracts

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

Small businesses face significant obstacles in securing government contracts.

Contracting documents and accompanying obligations, including requirements to have very expensive insurance, can be overly complex and impose barriers to small business participation in tendering for government contracts.

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.



9. Pay 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' policy.

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 only.

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. This will apply for all financial obligations of the Commonwealth to small business from 1 July 2014 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 any delinquency costs.

10. Small Business in Cabinet

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

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.

11. Giving Small Business a Voice on Economic Bodies

The Coalition will ensure, through future appointments, that there is always a strong small business voice on key regulatory bodies important to the sector. This will include the following bodies:

- The Board of Taxation;
- The Australian Competition and Consumer Commission; and
- Fair Work Australia.



Each of these bodies has an important role to play in regulation of business, particularly small business. For far too long, the voice of small business has been lost in the throng of other voices and many have developed a view that these bodies no longer appreciate the issues specific to small business.

A small business perspective will improve how these bodies work and any analysis they make will therefore be able to include practical day-to-day issues associated with running a small business and the challenges they face.

Key regulatory and oversight bodies important to or dependent on small business would be enhanced by merit-based appointments with practical small business insights/experience.

12. A Small Business Ombudsman with Real Power

The Coalition will create a Small Business and Family Enterprise Ombudsman with real power.

The Small Business and Family Enterprise Ombudsman will be a Commonwealth-wide advocate for smaller enterprises, a single entry-point agency to access Federal small business programmes and support, a contributor to making Commonwealth laws and regulations more small business friendly and a 'concierge' for dispute resolution.

Smaller enterprises contending with disputes would be guided by the Ombudsman's office to existing State-based options; or, through its own mediation service, into a resolution process where the Commonwealth is involved; or helped to engage with the ACCC's competition, commercial conduct and industry Code supervision responsibilities.

Labor belatedly introduced a Small Business Commissioner in an attempt to copy the Coalition's long held policy, but failed to give the position any power or useful role. It was a symbolic sop to the small business community, hastily designed, and has simply become a taxpayer funded mouthpiece to spruik positive messages about the government.

One of the first tasks of the Small Business and Family Enterprise Ombudsman will be to systematically examine the recommendations of the Parliamentary Joint Committee on Family Business to increase public and government awareness of the role played by family businesses.

The Coalition will commit \$6 million toward this initiative.



13. Support Local Businesses Tackling Anti-Social Behaviour in Commercial Areas

The Coalition's \$50 million Plan for Safer Streets will help reinvigorate local shopping strips and precincts that have been compromised by anti-social and unlawful behaviour.

The appeal and vitality of retail, entertainment and commercial precincts can be compromised by customers and businesses being turned off by anti-social behaviour, crime and property damage and a diminished sense of personal security.

More CCTV cameras, better lighting and community safety initiatives to tackle crime and safety hot spots, supported by local commerce groups, councils and police, will be available under the Coalition's \$50 million Plan for Safer Streets. The grants programme will have a particular emphasis on supporting solutions for local retail, entertainment and commercial precincts.

14. Help Small Business Access Finance

The Coalition will work with regulatory authorities and lenders to maximise small businesses' access to affordable finance, especially where this is secured by personal guarantees or private asset mortgages.

In addition, the Coalition will ensure that greater information is provided to small business about current credit assessment and reporting requirements to help them better meet application requirements.

Two-thirds of small business lending is secured against residential property.¹ 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.

The cost of variable residentially-secured small business loans above the RBA cash-rate has more than doubled under Labor.

The Coalition understands that lenders apply different criteria to particular categories of borrowers, but this should not result in outcomes that are unfair or unreasonably deny small business the chance to start, expand or even stay afloat.

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, p. 3).



The Coalition will work with regulators to ensure that regulatory, prudential and compliance requirements for financial services don't discourage financial institutions from taking a more flexible approach to lending to small businesses, while ensuring a safe, profitable return so they can meet their obligations to their shareholders.

15. Franchising

The Coalition will refine the national franchising code to strengthen its effectiveness, improve its responsiveness to the sector's unique commercial characteristics and tensions, and guard against additional state-based regulation.

We will work collaboratively with the sector to identify opportunities to reduce red tape imposts while improving knowledge about commercial expectations and risks, rights and responsibilities under agreements governed by the Franchising Code.

Franchising has been very successful in Australia with the world's highest per capita penetration of franchised systems, creating a sector turning over \$131 billion annually, and involving 70,000 franchises and 413,500 people.²

New issues have emerged in the sector since the Howard Government implemented the original Franchising Code and it is important that the code is reviewed to keep it up to date.

16. 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.

The Coalition will develop better practice guidelines to explain and encourage 'fair commercial conduct' as part of pro-actively nurturing positive commercial relationships and not simply acting on unlawful 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.

² Griffith University, Asia-Pacific Centre for Franchising Excellence, *Franchising Australia 2012*, pp. 10-12.



17. Support for Disaster-Affected Small Businesses

A key part of reconstruction following disasters such as floods and cyclones will be to do everything we can to get small businesses back on their feet in disaster-affected areas. Many small businesses that rely on a single local community for their income face the very real prospect of bankruptcy if that community is devastated by natural disaster.

Existing Commonwealth disaster relief assistance currently includes concessional loans for businesses to repair or replace buildings and equipment and to replace up to one month of stock, allowing many businesses to recover from the physical damage of natural disasters.

However, existing government loans do not provide support for businesses that have not experienced any direct physical damage from a natural disaster but which have nevertheless suffered a significant loss of income due to the disaster's impact on other businesses, households and the community.

The Coalition will introduce 'consequential effect' concessional loans of up to \$100,000 to businesses in declared disaster areas that are not eligible for existing relief loans and which can demonstrate that their business has experienced a significant financial downturn due to the disaster event.

18. Moving the Small Business Portfolio to the Department of Treasury

In a Coalition government, the small business portfolio will be a cabinet position within the Department of Treasury.

We recognise the vital contribution small business makes to economic prosperity, community wellbeing and enterprise.

The Coalition understands that no proper examination of the design and implementation of policies and programmes to improve the wellbeing of the Australian people, including achieving strong, sustainable economic growth, can be achieved without small business considerations being top of mind.

Under the Coalition the small business portfolio will be a cabinet position within the Department of Treasury. By placing small business front and centre in the policy development process we can ensure tax policy, competition laws and fiscal policy settings encourage small business enterprise and innovation.



19. Delay Compulsory Superannuation Increases

The Coalition will delay by two years the increase in compulsory employer-funded superannuation to help nurture our economy as many small businesses contend with higher operating costs, static or modest revenue growth and pressures on viability and the ability to employ.

We also understand that small business is doing it tough because of Labor Government mismanagement of the economy.

That is why we will delay the ramp-up in compulsory employer-funded superannuation contributions to give small business some respite from the current challenging economic times and escalating cost and viability pressures.

20. Providing Practical Help to Small Business Workplaces

The Coalition will provide practical and useful help for small business workplaces because this is where many jobs are created and innovation happens. The Coalition will provide small business with better help to ensure they understand the laws and are confident to grow and employ. We will:

- develop a 'Your First Employee' guide to encourage small business men and women to grow and create jobs, by developing a simple, plain-English guide that takes the mystery out of how to employ a new worker;
- maintain a dedicated Small Business helpline within the Office of the Fair Work Ombudsman to provide information and assistance that is tailored to smaller workplaces;
- develop a Small Business Wages App allowing workers and managers in small workplaces better access to real-time information that is accurate and suitable to their needs; and
- encourage greater compliance and education by providing potential immunity from Fair Work Ombudsman pecuniary penalty prosecutions for a small business employer if he or she pays or applies the wrong employment conditions, provided the error was not deliberate and the employer had previously sought Fair Work Ombudsman advice and help on the same issue.



21. Improving the Tax System to Help Small Business Prosper

The Coalition recognises that more can be done with our tax system to make it more small business friendly. That is why, within two years of the election of a Coalition government, we will publish a comprehensive White Paper on tax reform. We will take proposals from that paper to a subsequent election, but rule out any increase to the GST.

22. Helping Small Business to Get Moving with Improved Infrastructure

The Coalition knows small business people are time poor and that time spent in a traffic jam is less time they have to attend to their business, their employees and their customers. To help, the Coalition will get major road projects underway within 12 months of an election.

We have already committed:

- \$6.7 billion to fix Queensland's Bruce Highway;
- \$1.5 billion to get construction underway on Melbourne's East West Link;
- \$1.5 billion to ensure the Westconnex project gets underway in Sydney;
- \$1 billion to support the Gateway Motorway upgrade in Brisbane;
- \$500 million to support the upgrade of Adelaide's North-South Road Corridor;
- \$686 million to finish the Perth Gateway without the mining tax;
- \$615 million to build the Swan Valley Bypass on the Perth-Darwin Highway;
- \$400 million to upgrade the Midland Highway in Tasmania; and
- \$5.6 billion to complete the duplication of the Pacific Highway from Newcastle to the Queensland border.

In addition, the Coalition will:

- work with the NSW Government to get Sydney's F3 to M2 started by late 2014, which will mean shorter travel times, reduced congestion and safer roads for the residents of the Central Coast; and
- get the Toowoomba Second Range Crossing underway.



23. Get Small Business Connected to Fast Reliable Broadband Sooner

The Coalition believes all Australians, including small business people, should have access to fast affordable broadband.

We will deliver fast broadband at vastly less cost to taxpayers. A Coalition NBN will reduce the funding from taxpayers and the capital markets needed to complete the project by \$60 billion or two thirds, compared to the realistic estimated cost of Labor's plan.

The Coalition's plan to transform the NBN will see:

- download speeds of between 25 and 100 megabits per second by the end of 2016 and 50 to 100 megabits per second by 2019;
- the rollout of the NBN under the Coalition will be complete by the end of 2019;
- regions with substandard internet services will receive priority rollout;
- basic broadband plans will always be more affordable under the Coalition than under Labor. Projections show that prices will be \$24 cheaper a month by 2021 than under Labor's NBN projected prices; and
- the Coalition's NBN will cost tens of billions less to complete than Labor's NBN.³

³ The Coalition's Plan for Fast Broadband and an Affordable NBN, summary document, released 9 April 2013.



The Choice

Labor has failed to give the small business sector the attention it deserves.

The number of people employed in small business has stagnated under Labor while there are 3000 fewer employing small businesses.

Labor's deficits and debt continue to put upward pressure on interest rates at a time when Australian families are struggling to meet increased costs of living and small business is facing higher financing costs.

Small businesses are left to fend for themselves, with no direct support, as they face the heavy costs of the Rudd-Gillard Government's carbon tax it promised not to introduce.

The Government has failed to recognise that consumers, already worried about cost of living increases, are in no mood for further price rises from small businesses that have no capacity to absorb carbon tax related cost increases.

The carbon tax 'hit' to consumer confidence, competitiveness and viability is the last thing small businesses, particularly retailers, needed.

Labor has cynically promised that the increase in the compulsory superannuation rate will be paid for by the 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 forced onto small business the cost and compliance burden of the Government's paid parental leave scheme, by requiring it to act as the 'paid parental leave pay clerk.'

Promises not to change personal services income tax laws or make things more difficult for two million people deriving livelihoods from independent contracting or self-employment have been replaced by a coordinated union-Labor Government attack on legitimate businesses.

A promise to pay small business accounts within 30 days has been wound back by Labor and limited to formal contractual relationships, excluding general obligations for payment.

Labor's addiction to 'government knows best' approaches has ensnared small business in more red tape. Despite promising a 'one in, one out' approach to regulation before the last election, Labor has actually introduced 21,000 additional new regulations.

Labor has failed to provide a stable and reliable representative for the small business sector in Government. Labor's latest Minister for Small Business is its fifth in little over a year. This revolving door of Small Business Ministers under Labor adds insult to the economic injury the Government has inflicted on small business.



Cost

In addition to slashing red tape, cutting the company tax rate and scrapping the carbon tax, the Coalition's *Policy for Small Business* will invest \$10.5 million to support more competitive, productive and successful small businesses in Australia.





Hope.
Reward.
Opportunity.



THE NATIONALS *for Regional Australia*

For further details of the Coalition's Plan go to
www.realsolutions.org.au