



CCIQ SUBMISSION

Treasury

▾ **2018-19 Pre-Budget Submission**

CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND

15 December 2017

Introduction

1. The Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide commentary to the Federal Treasury on the contents and priorities for the 2018-19 Federal Budget.
2. CCIQ is Queensland's peak industry representative organisation for small and medium businesses. We represent over 414,000 Queensland businesses on local, state, and federal issues that matter to them. Our guiding focus is to develop and advocate policies that are in the best interests of Queensland businesses, the Queensland economy, and the Queensland community.
3. In the 2017-18 Budget, CCIQ was pleased and supportive of the announcement to continue the accelerated depreciation, instant asset write-off initiative. This allowed small businesses to immediately deduct purchases of eligible assets under \$20,000 until 30 June 2018. We would wish to see this initiative extended again. We were also pleased to see the commitment and delivery to lowering business tax threshold for businesses with a turnover of \$50 million or less, from 30% to 27.5%.
4. Small businesses employ 45% of the private sector, and are key contributors to economic growth across Queensland and Australia. In drafting the 2018-19 budget, CCIQ believes it is a priority to ensure the following policy areas are a focus in the short and long term.

Budget Debt and Deficit

5. The 2018-19 Budget must address rising debt and commit to repairing the budget deficit. Despite repeated plans by successive governments to achieve surplus, the Federal Budget remains in deficit nearly a decade after the GFC (1.9% in 2016-17) and is down only slightly from the post GFC average of around 2.6% of GDP.
6. Action to curtail spending will come at some point whether the nation likes it or not. CCIQ wants to see savings on expenditure measures in the areas of social security and welfare, paid parental leave, family tax benefits, child care assistance expected to exceed \$164 billion in the 2017-18 budget year. Lifting family and businesses taxes should not be an option until reform of social security and welfare has been undertaken, arguably reducing government spending and reducing debt.
7. CCIQ is seeking commitments from the government for a more ambitious fiscal strategy, with set time frames and goals to reduce deficit, and a more credible path to surplus by 2019-2020 – one that doesn't rely on wage growth forecasts and bracket creep.

Tax Reform

8. Earlier this year, the Federal Government passed legislation with crossbench support to cut the tax rate for companies with a turnover of up to \$50 million to 27.5 per cent and eventually 25 per cent. Further tax reductions for business were slated

to occur however those plans have already been thrown into disarray, impacting Queensland's business competitiveness internationally.

9. Australia's tax system faces several challenges, including technological change, an ageing population and increased mobility of investment, all of which make the revenue from traditional tax bases more volatile. While the economic environment has changed substantially, Australia's tax mix has remained relatively unchanged since the 1950's. Coupled with inefficient State taxes, Queensland businesses consider the tax system to be outdated and a brake on economic growth.
10. The Australian tax system has become unnecessarily complex, burdensome and ultimately costly to the government, people and small business. In the CCIQ biannual Red Tape Survey report, dealings with the Australian Taxation Office was cited as the number one regulatory burden for small business. Red tape is predicted to cost the economy up to \$100 billion by 2020. CCIQ strongly recommends the Federal Government commits to exploring an aggressive, holistic tax reform agenda, and show leadership on national tax reform to address impending revenue shortfall and to tackle the fiscal deficit.

Productive Infrastructure

11. The Federal Government, alongside the independent statutory body, Infrastructure Australia, has refocused on a strategic, long-term approach to infrastructure planning and delivery. While this means significant improvements to how projects are prioritised, assessed and funded, there is still much work to do. Queensland needs productive infrastructure which delivers long term benefits to small businesses, communities and employees, not just a short-term sugar hit during construction.
12. The Federal Government must prioritise the roll out of the NBN, particularly in rural and regional Queensland, where businesses currently experience unreliable internet connection.

Workforce Skilling

13. Unemployment in Queensland remains above the national average, particularly across Queensland's regions. Yet at the same time, employers are finding labour and skills shortages a challenge to business growth. CCIQ believes more needs to be done to ensure businesses can employ the workforce required to meet business needs. To achieve this, Australia must have a skilled workforce, and investment in education and training must ensure people acquire the skills our future economy needs.
14. From March 2018 businesses sponsoring foreign employed workers will be required to pay into the Skilling Australians Fund (SAF) to upskill Australians from March 2018, budgeted at \$1.5 billion over four years from 2017-18. However, the mechanism and amount of monies to be collected are higher than recommended by the Integrity Review. Coupled with a severe reduction of the occupation lists and the

upfront payment of all four years of the training levies, the \$1.24 billion to be raised by the training levy is questionable. This has created flow on uncertainty effects, compromising skilled migration and education and training of Queenslanders.

15. Queensland requires a robust skilled migration program, and an education and training sector. These sectors must receive continual improvements to achieve better job outcomes, stronger employment growth, higher productivity and increased competitiveness.

Electricity Prices and Energy Policy

16. Soaring energy prices, a bane to business growth in Queensland. The Federal Government must reduce over-regulation, duplication and mismanagement in the energy system, and create an investment environment through effective durable policy which will allow Australia to meet its international commitments, and be free of ideology.
17. While steps have been taken to improve the nation's energy policy, particularly around modernising the National Electricity Market, more can be done to streamline and remove much of the regulatory complexities on energy to bring price relief for small businesses. While the policy uncertainty remains, investment is stifled.

Small Business Growth and Innovation

18. Businesses understand that innovation is essential to their survival and growth, and the Federal Government is well positioned to pull the right levers and provide the tools needed for businesses to innovate and grow. Small businesses currently face several barriers to innovation, including access to funding, access to a skilled workforce, complex government procurement processes and ineligibility for grants as they are often targeted towards larger companies. Government programs should support incremental innovations in already established small business when changes are made to production, services and/or processes - no matter their size or what industry they are in.

Conclusion

19. In sum, CCIQ implores the Federal Treasury to focus on addressing the aforementioned policy areas while drafting the 2018-19 Budget. Small businesses nationwide need assistance and require relief to return to a positive confidence outlook. By giving small mum and dad businesses a helping hand through proactive policy, the benefits will flow to employees and local communities.
20. We thank you for the opportunity to provide commentary in regard to the policy priorities for the 2019-19 Federal Budget. CCIQ would welcome any opportunity to discuss this submission further. Should you have any enquiries please contact Kate Whittle, General Manager, Advocacy at kwhittle@cciq.com.au.