



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

PROOF

BILLS

**Treasury Laws Amendment (2017
Enterprise Incentives No. 1) Bill 2017**

Second Reading

SPEECH

Wednesday, 21 June 2017

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

<p>Date Wednesday, 21 June 2017 Page 93 Questioner Speaker O'Brien, Ted, MP</p>	<p>Source House Proof Yes Responder Question No.</p>
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Mr TED O'BRIEN (Fairfax) (17:56): I am not surprised at all that the member for Fenner wants to oppose schedule 2, because he knows, as does the Labor Party, that the measures under schedule 2 predominantly assist companies that are not unionised. This is a typical Labor approach—unless it supports the union movement and helps gather more union fees to be paid into the coffers of the Labor Party, then they simply will not support such measures. So there is no surprise there at all.

What does surprise me is the member for Fenner continuing to stand in this House and purport to be on the side of fiscal responsibility when Labor's only plan is higher taxes. And he has confirmed it again today. The only plan the Labor Party has is to have higher taxes for businesses—businesses that create jobs. But, again, in the same speech, the member for Fenner has also confirmed that the Labor Party also believes in higher taxes for individuals. They are a high-taxing party, and that is their only plan for government.

Interestingly, in order to spread the wisdom of the Labor Party policy platform, the member for Fenner also talks about multinational tax avoidance and cracking down on phoenix operations—two things that the coalition are already taking a lead with. Now, we welcome the Labor Party free-riding on our policies. We have no problem with that. And so they should, because ours are the policies that the Australian people know work to drive the economy and, in turn, attract investment, which, in turn, create jobs. But what I do find reprehensible is the suggestion by the member for Fenner that the action already being taken on multinationals, the task force that is already looking into phoenix operations, is somehow a Labor Party idea. My hope is that the next time the member for Fenner stands in this House he will have an original idea from the Labor Party beyond higher taxes.

But we are here today talking about the Treasury Laws Amendment (2017 Enterprise Incentive No. 1) Bill 2017. This bill is part of a suite of measures reflecting this government's core commitment to the future of Australia's smart economy as contained in the National Innovation and Science Agenda. That agenda embraces a future of immense technological change and entrepreneurial innovation. By fostering culture and capital through tax breaks, incentivising universities and industry to collaborate, supporting talent and skills and making it easier to do business with government, the National Innovation and Science Agenda provides the blueprint to support investment and growth in innovative Australian businesses—investment which will underpin the Australian economy. It is a commitment which will support a smart future and turn around Australia's international competitiveness as a smart economy.

Australia slipped nine places, to 18th, in the overall IMD world competitiveness ranking in the five years from 2011 to 2015. In 2016 we gained a spot to 17. However, there remains great scope for improvement. In the latest *The Global Competitiveness Report 2016-17*, the IMD World Competitiveness Centre recognises Australia's strong macroeconomic and labour market position but warns:

Innovation represents Australia's challenge and imperative in the face of low commodity prices ...

Furthermore, Australia's chief economist, Mark Cully, said in the *Australian Industry Report 2016*:

Competitive economies are ones that are open to the world, attracting investment and people. They have high levels of innovation and business start-ups ...

The National Innovation and Science Agenda responds to this challenge, and this bill is key to that commitment.

The bill introduces two measures designed to allow the tax system to further support innovative and groundbreaking businesses by encouraging a culture of calculated risk-taking and investment. These measures provide greater flexibility when dealing with company losses by relaxing the current same-business test and increasing depreciation benefits through the self-assessment of intangible assets. These changes will make a real difference to businesses—in particular, to Australian businesses at the forefront of our smart economy. Those

who deal with intangible assets, such as patents, copyrights and the like, as well as those who are pushing the boundaries of entrepreneurial innovation, will be welcoming these measures.

Unlike Labor, who considered similar changes as part of the 2011 business working group, this government, the Turnbull coalition government, is acting to implement these reforms. The Turnbull government is again getting things done. We are making real changes in support of the business tax system to increase productivity and deliver flexibility to struggling businesses. We are a government that believes in supporting business, fostering entrepreneurship and driving growth to generate real jobs. Associated measures with this bill include: changes to tax laws to encourage angel investors and venture capital investment by providing tax incentives for early-stage investments; changes to extend the GST on low-value imported goods to level the playing field for Australian businesses against large international online sellers; changes to ensure global entities are unable to avoid their tax obligations by diverting Australian profits offshore; and changes to ensure the Tax Commissioner has the tools needed to impose penalties on those who breach their tax reporting obligations. These measures reinforce the Turnbull government's commitment to getting the balance right. Beyond these measures, the coalition government will go even further to hit the accelerator on innovation and jobs.

The bill before the House today is labelled the 'Enterprise Incentives No. 1' bill, but there is also a No. 2 bill that we shall be debating shortly which will reform Australia's insolvency laws to further stimulate entrepreneurship and innovation, helping to reduce the stigma associated with business failure. Let me outline bill No. 1, which we are debating today, in a little bit more detail. This bill includes a measure to increase access to a tax offset where a loss is made in one year and can be carried forward to offset future profits. It does so by relaxing the existing 'same-business test' and introducing a far more flexible 'similar-business test'. Rules that utilise losses are important and, frankly, necessary. They maintain the integrity of the tax system by preventing companies trading in losses. However, the current law is being interpreted too narrowly. At least that the Labor Party agrees with. It is considered restrictive and it is stifling innovation and investment in our economy. Businesses have been prohibited from using their past years losses where they have entered into new types of transactions or business activities. This only inhibits growth and investment and discourages businesses which have made losses from seeking new investors or exploring new profit-making activities because they may be denied the ability to leverage past years losses.

The change from same-business test to similar-business test allows businesses to be more agile and adapt to new opportunities without restrictive tax penalties. This is especially beneficial to start-ups, who may have accumulated tax losses in their early years and will now have a greater ability to adapt their business to a changing environment by seeking new and diverse business opportunities without jeopardising the use of those losses. Importantly, the new similar-business test will apply from 2015-16 and future income years, allowing businesses to immediately benefit from these changes.

The second measure outlined in the bill, which the Labor Party disagrees with, makes changes to the depreciation of intangible assets by allowing business owners to self-assess the life of these assets. This complements the similar-business test by providing further flexibility to one's business strategy and investment. It recognises that innovative businesses are more likely to hold a high proportion of intangible, knowledge based assets, such as patents and copyrights—assets that are sometimes referred to as intellectual property.

In fact, a recent research paper issued by the Office of the Chief Economist in 2016, 'Australian geography of innovative entrepreneurship', found that high intellectual property generation goes hand in hand with entrepreneurship. In other words, intangible, knowledge based assets are intrinsically linked to innovation. That is why allowing businesses to self-assess the life of these assets to align them to the actual number of years that the asset provides an economic benefit will increase depreciation benefits and decrease the cost of investment in these assets. It also encourages the transfer of these assets between businesses to better leverage and commercialise them. The proposed law also allows for a recalculation of this effective life in later years should circumstances change. These are essential changes to encourage investment, innovation and entrepreneurship on the front line of the Australian economy.

This bill reflects the Turnbull government's continued investment in the future of Australian businesses and the many millions of jobs they create and sustain, an investment which recognises the changing nature of the global business environment and encourages businesses to take calculated risks, test new markets and grow Australia's smart economy. These and other measures supporting the government's National Innovation and Science Agenda are making a real difference to the ability of Australian businesses to respond to new markets and changing

global pressures, and increase Australia's global competitiveness. That is good news; that is good news for all Australians. It is for that reason that I commend this bill to the House.