

THE HON WAYNE SWAN MP
Deputy Prime Minister
Treasurer

THE HON BILL SHORTEN MP
Assistant Treasurer
Minister for Financial Services and Superannuation

SENATOR THE HON NICK SHERRY
Minister for small business

***** MEDIA RELEASE *****

SUPPORTING AUSTRALIAN SMALL BUSINESS

The Gillard Government will provide Australian small businesses with an instant tax write-off of the first \$5,000 of any motor vehicle purchased from 2012-13, recognising many small business operators are doing it tough in our patchwork economy.

Small Businesses – which make up 96 per cent of Australian businesses – are the backbone of our economy and deserve all the help we can provide.

Motor vehicles are the main capital item for many of Australia's 2.7 million small businesses so this extra tax relief will deliver real benefits by improving cash flows and helping operators to reinvest and grow their businesses.

For example, a tradesman – on a 30 per cent marginal tax rate – buying a new \$33,960 ute would receive an extra tax benefit of \$1,275 in the year they purchased the vehicle.

The remainder of the purchase value can be transferred into the general small business depreciation pool, which is depreciated at 15 per cent in the first year and 30 per cent in later years.

This measure is estimated to cost \$350 million over the forward estimates and builds on the Government's existing tax reforms for small businesses to be introduced in 2012-13 that allow:

1. • an immediate write-off of all assets valued at under \$5,000 (up from \$1,000 presently) estimated to cost \$1.7 billion over the forward estimates;
2. • a write-off of all other assets (except buildings) in a single depreciation pool at a rate of 30 per cent. Currently, small businesses allocate assets to two different depreciation pools, with two different depreciation rates (30 per cent and five per cent); and
3. • a reduction in company tax rate to 29 per cent for incorporated small businesses.

These tax reforms will be available to all small businesses, including sole traders and businesses operating through trusts, partnerships and companies.

The new small business instant write-off for the first \$5,000 of any motor vehicle will replace the Entrepreneurs Tax Offset (ETO), which the Australia's Future Tax System Review (AFTS) recommended be abolished because of its poor targeting and high compliance costs. This will save \$365 million over the forward estimates.

AFTS concluded that ETO provided a disincentive for businesses to grow because the benefit available started to decline at \$50,000 of annual turnover and cut out completely at \$75,000.

The ETO was also only available to individuals with incomes under \$70,000 and its poor targeting and complexity meant 2.3 million small businesses missed out on any benefit.

CANBERRA

8 May 2011

Contacts:

Fergus Maguire	(Treasurer)	0423 846 593
Shannon Walker	(Assistant Treasurer)	0414 694 476
Courtney Miller	(Minister Sherry)	0458 088 227