

The New *Business* Tax System

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Benefits of Tax Reform for Manufacturing

Australia's manufacturing industries will significantly benefit from the reduction in company tax rates and lower capital gains tax as a result of the New Business Tax System. Manufacturing will also benefit from initiatives to encourage venture capital investment. The reform to indirect taxes and the abolition of the wholesale sales tax will significantly reduce manufacturer's business costs. Manufacturers will benefit from lower fuel costs and will also retain the research and development tax concession. The majority of Australian manufacturing firms will also be eligible to gain the benefits of the Simplified Tax System.

Reduced tax rates

Manufacturers will be more internationally competitive following the reduction in the company tax rate from 36 per cent to 34 per cent for the 2000-01 income year and to 30 per cent thereafter.

Those manufacturers operating as sole traders or partnerships will benefit from the legislated lower personal income tax rates that take effect from 1 July 2000.

Increased incentives for risk taking and expansion

Both existing and emerging manufacturing enterprises will benefit from the substantial reforms to capital gains tax announced today. Significantly lower tax rates, combined with expanded and simplified rollover provisions and scrip for scrip rollover relief will provide impetus to the manufacturing sector in Australia and the Australian economy more generally.

The venture capital investment initiatives will also boost the funding available (from widely-held Australian superannuation funds and non-resident tax exempt pension funds) for emerging enterprises at all stages of their development.

Lower business costs

The manufacturing sector will benefit significantly from the reduction in business costs as a result of the reform to Australia's indirect tax system. The cost of investment goods will fall and the tax burden on not only Australia's manufacturing exporters, but all exporters, will be reduced. Manufacturers will also gain from the substantial reduction in petrol, diesel and other fuel costs from 1 July 2000.

The New Business Tax System will significantly reduce business compliance costs. Manufacturers will gain greater simplicity, equity and certainty in managing their tax affairs.

Around 85 per cent of all manufacturers will also qualify for the Simplified Tax System, under which they will benefit from significantly reduced compliance costs and immediate write off for assets costing less than \$1000. Eligible manufacturers will also effectively retain access to accelerated depreciation for assets costing \$1000 or more and where their effective lives are less than 25 years.

Prior to the introduction of the Simplified Tax System on 1 July 2001, small businesses will retain accelerated depreciation, access to the balancing charge offset, the immediate deductibility of items costing less than \$300 and the deductibility of items under the 13 month rule.

The benefit of stronger economic growth

One of the overriding objectives of the reform to Australia's tax system is to increase Australia's economic growth. The Government's tax reform measures will lead to increased output and more jobs, which will mean that manufacturing and all industries will be better off as a result of tax reform.