



## **Federation of Ethnic Communities' Councils of Australia Inc.**

The Secretary  
Review of Business Taxation  
Department of the Treasury  
Parkes Place  
PARKES ACT 2600

### **Submission on the Review of Business Taxation**

FECCA's mission is to enrich and enhance the wellbeing of the Australian community through the fullest participation and involvement of people of diverse cultural and ethnic backgrounds, especially those who have experienced the migration process.

People from diverse cultural and ethnic backgrounds are a significant portion of business owners and operators, particularly in small business.

The changes suggested in the Review of Business Taxation are therefore of considerable interest to our constituents who are involved in small business. We would, of course, have appreciated more time to widely consult with our constituents.

Given the above, our comments are predominantly made in the context of the anticipated impact of the tax reforms on small business owners and operators.

Should you have questions on or require clarification about matters raised in our submission, please contact me by phone on 08 8338 2066, or through my executive assistant (Phil Allan) on 08 8223 6962.

Yours sincerely

Randolph Alwis  
Chairperson  
16<sup>th</sup> April 1999

# Mission Statement

To enrich and enhance the wellbeing of the Australian community, through the fullest participation and involvement of people of diverse cultural and ethnic backgrounds, especially those who have experienced the migration process.

## The Federation

Established in 1979, FECCA is a voluntary non-party political community-based organisation. It is the national voice of Australians from non-English speaking backgrounds and those who see their ethnicity as an essential ingredient in the making of modern multicultural Australia.

The Federation promotes multiculturalism as the social policy that best ensures fair opportunities for all Australians within the framework of our democratic traditions.

The Federation seeks to represent the interests and concerns of ethnic Australians through:

- formulation of relevant policies
- representation to Government
- participation in public debate
- consultation with industry, unions, professions and community organisations
- seminars, conferences and community education

## The Role of the Federation

The Federation monitors a wide range of issues including: social welfare; employment; language policy and immigration. The Federation strives to ensure that the needs and aspirations of Australians from non-English speaking backgrounds are given proper recognition in public policy making.

The Federation works to ensure that programs devised by governments are fair and responsive to the interests of the whole Australian community, including those from diverse ethnic backgrounds.

The concerns of the ageing, women and young people are the Federation's priorities, as are the protection of the fundamental rights of all Australians regardless of their racial, social, political or religious affiliation.

## General comments

FECCA is concerned about the extent to which the business tax reforms concentrate on companies.

Small business operators are an important component of the business community and it is vital that business tax reforms take into account their specific issues.

FECCA stresses that reforms to business taxation, especially taxation of entities, must not adversely affect the investment options and decisions for retirees and aged pensioners.

Reforms to business taxation must also take into account not only inequities in current arrangements, but also the impact of culture and language and on administration of tax law and on business practices.

There is some impact in terms of additional time and resources being used to educate some ethnic business people about Australian business practices. However, this is by far outweighed by the positive impact that these people have on the Australian economy.

Australian business people from different cultural and linguistic provide the business community with a diverse range of skills and experiences. This provides economic benefits through broadening the skill base in Australia and opening new investment and trade opportunities with other countries.

Their understanding and knowledge of overseas business practices must be recognised and effectively used if Australia is to successfully compete in an increasingly globalised world.

FECCA challenges Government to draw on this resource, through networking with Ethnic Chambers of Commerce, Bilateral Business Associations etc, in its ongoing review of business tax reforms.

As pointed out in the Review of Business Taxation, the timeframe provided for comments is very tight. Given the numbers and diversity of business operators in Australia, Government must ensure that adequate time is allocated to consultation processes if they are to expect comprehensive and detailed comments on the breadth of reforms being proposed.

# Taxation of investments

In general terms, FECCA supports business tax reforms that will lead to:

- increased certainty of treatment of income and expenditure;
- minimisation of record keeping costs; and
- minimisation of other compliance costs.

FECCA supports the concept of moving tax value closer to commercial value. There are key benefits, as stated in the Review, of simplified and clearer tax laws, minimised opportunities for tax avoidance and a greater focus on commercial choices rather than tax minimisation.

FECCA also encourages Government to focus on business tax reforms that provide greater alignment of accounting and tax practices so that, as far as possible, the business tax system operates in a neutral fashion.

FECCA agrees that there must be a fundamental re-examination of deductibility of expenses, primarily on the grounds of increased certainty for business people.

Reform based on maintaining the existing dichotomy between assessable income and deductions is preferred as, on face value, it appears the better option to administer.

A number of issues surrounding treatment of wasting assets were raised in the Review of Business Taxation.

In general terms, FECCA supports those options that seek to promote increased certainty of entitlement to, timing and rate of deductions.

FECCA also considers that business people should have the option of immediate write-off for small items, subject to an annual dollar limit.

## Taxation of entities

FECCA supports proposals to simplify compliance complexity for fund managers and unit trust holders.

Addressing issues such as tax consideration of income retention and financing and distribution policies is important.

However, FECCA stresses that any reforms to taxation of entities must not adversely affect retirees and aged pensioners.

A significant proportion of low income earners are from different cultural and linguistic backgrounds. FECCA therefore strongly agrees that low income shareholders, including self-funded retirees, whose marginal tax rates are lower than the company tax rate, would benefit from receiving a refund of excess imputation credits that cannot be used in a particular income year.

FECCA supports the move to consolidate taxation of entity groups if, as stated, it will minimise opportunities for tax avoidance.

Retired Australians often use unit trusts as an investment option. A flow-through approach to taxation of collective investment vehicles is supported to the extent that the interests and investment decisions of individual investors in unit trusts are protected.