



# Small Business Budget Facts

07/08



## The Broad Picture

The 2007-08 Budget addresses the productivity and labour force participation imperatives that are critical to Australia's long-term prosperity. It includes personal income tax relief designed to enhance work incentives, initiatives to enhance the higher education, vocational education and training, and school sectors, increases in child care assistance, and additional funding for transport and water infrastructure.

The Budget provides an additional \$31.5 billion in personal tax cuts over the next two years, significantly improving the incentive for those outside the workforce to enter it and those on part-time work to take up additional hours. This broad based initiative will help businesses find the skilled labour they need.

The industry statement 'Global Integration' includes \$1.4 billion over 10 years to assist Australian industry to build stronger links with global markets and improve productivity through innovation and better business practices. In addition, the Budget provides further initiatives to reduce tax compliance costs for small businesses by building on the 2006-07 Budget measures through further concessions on GST compliance requirements.

GDP growth in the Australian economy is expected to strengthen substantially in 2007-08 to 3.75 per cent. This growth will be driven mainly by household consumption, business investment and exports. Growth in the CPI is expected to ease to 2.5 per cent after reaching 2.75 per cent in 2006-07.

"Sound economic management is the foundation of small business growth. Small business can be confident that the stable economic management of the past few years will continue with the delivery of the 2007-08 Budget," Fran Bailey, Minister for Small Business and Tourism, said.

### Key forecasts for 2007-08 are:

Budget Surplus – cash balance:	\$10.6 billion
Real Gross Domestic Product:	To increase by 3.75 %
Employment:	To grow by 1.5 % with the unemployment rate to be 5.0 %
Inflation:	To be 2.5 %
Current Account Deficit:	To be 6.0 % of GDP
Exports:	Growth of 5.0 % forecast
Business Investment:	Growth of 7.5 % expected
Household Consumption:	To increase by 3.5 %

## Small Business Highlights\*

**TAX MEASURES** - \$31.5 billion of tax cuts over the next 4 years:

- From 1 July 2007, the 30 per cent threshold will rise from \$25,000 to \$30,000.
- From 1 July 2008, the 40 per cent threshold will increase to \$80,000, and the 45 per cent threshold will increase to \$180,000.

### CUTTING RED TAPE

From 1 July 2007:

- Raising the annual turnover thresholds for registration for the GST from \$50,000 to \$75,000 for businesses.
- Removing the requirement for a tax invoice for purchases of \$75 or less to claim a GST credit.

Aligning PAYG payment/reporting requirements with annual payment/reporting requirements for taxpayers voluntarily registered for GST, from 1 July 2008.

Increased support of \$40 million over 4 years for the ATO to help start-up businesses understand their GST and other record keeping obligations.

Commissioner of Taxation to have power to develop simplified accounting methods for calculating GST for entities with an annual turnover of less than \$2 million that make mixed supplies or purchases.

Settlement of excise obligations for small businesses on a monthly, rather than weekly, basis, from 2007/08.

Streamlining Australian Business Number and business name registration across Australia, including trademark searching.

Development of Standard Business Reporting to reduce the reporting burden on business.

### INCREASING BUSINESS PRODUCTIVITY

\$170.8 million over 5 years (including \$36.2 million in 2011-12) to establish Australian Industry Productivity Centres for manufacturing and services sectors.

\$14.3 million over 2 years to extend the Building Entrepreneurship in Small Business programme for skills development, mentoring, succession planning and incubation services, as well as the Small Business Field Officer service.

**WORKFORCE PARTICIPATION** – from 1 July 2007:

- rates of Child Care Benefit will increase by 10 per cent on top of indexation.
- the Child Care Tax Rebate will be available as a direct payment shortly after the end of the year.

### ADDRESSING SKILLS SHORTAGES

\$549 million for vocational education and training, including:

- \$59 million over 4 years to Registered Training Organisations to partner with industry and local employers to develop and implement fast-track apprenticeships with competency based, rather than time-based, progression.
- \$84 million over 5 years for a further three Australian Technical Colleges.

Increasing skilled migration intake by 5,000 places taking the total to 102,500.

### ENHANCING EXPORT OPPORTUNITIES

\$11.1 million over 2 years for 30 export facilitators to pursue export opportunities arising from the Australia-US Free Trade Agreement.

\$122.3 million over 5 years to facilitate Australian firms', especially SMEs', participation in global supply chains and major overseas projects.

### BUILDING INDUSTRY INNOVATION

\$32.1 million over 4 years for Commercial Ready Plus to provide grants on a matching basis to small businesses for R&D, early stage commercialisation and proof of concept activities.

\$20.1 million over 5 years for the Intermediary Access Programme linking businesses with other businesses and research institutions, to promote knowledge transfer, collaboration and innovation.

\$54 million over 4 years to continue support under the Food Innovation Grants programme.

### HELPING OUR REGIONS

An additional \$314 million over 3 years in Exceptional Circumstances assistance for farmers, small businesses and rural communities bringing to \$1.6 billion assistance since 2002-03.

\$205 million over 4 years to expand and enhance the Agriculture-Advancing Australia initiative, including:

- \$35 million to help industry identify and manage risks and opportunities.
- \$26 million to assist producers improve their business skills.

\$11 million over 3 years for mobile offices to provide a single point of access to Government initiatives and referral to appropriate State and Territory services.

\$163 million over 2 years from 2006/07 to ensure all Australians have access to broadband services.

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\* Please refer to Budget Papers for full details