

## TAX LAWS AMENDMENT (BUDGET MEASURES) BILL 2008

### Second Reading

Mr ROBERT (Fadden) (6.25 p.m.)—I stand to make a few comments on this piece of legislation, to reiterate my view and to support the amendment put forward by the member for Stirling. Rene Magritte, who was a famous Belgian surrealist artist, once said:

Everything we see hides another thing, we always want to see what is hidden by what we see. There is an interest in that which is hidden ...

The surrealist artist is correct because Labor, in a particularly surreal moment, almost analogous to the clocks painted by the artist Salvador Dali, hid a whole range of bills, coming forward last night at 7 pm and dumping them on the floor of the House for the second reading. Whatever is rushed has something to hide. In complete deference to the member for Lindsay, it is interesting to look at the history of this. The member for Lindsay came out and said that this was not rushed and this was not new. Well, let us look at the facts.

In 2007, a total of 168 bills were introduced into the House, including 14 from the Senate. It is a well-established convention that bills are not debated in the week that they are introduced to allow the various political parties and independents time to scrutinise the legislation and take it through an internal party process. Of the 168 bills introduced in 2007, only 11 were introduced and passed in the same week. Labor wants these four bills and this one passed in the same day. Last year, only 11 of the 168 bills were passed in the same week. Five bills comprised the package of legislation to establish the Northern Territory emergency intervention, three related to welfare support payments required before the end of the financial year—including a bill related to pensions for war veterans—one related to the Australian Crime Commission, one was to establish the superannuation co-contribution scheme before the end of the financial year and the final bill was to introduce the safety net for workplace relations.

In all but one instance when it broke with convention, the Howard government made an argument of extreme urgency and ensured the Senate was sitting to facilitate urgent consideration by both chambers. The Senate is not sitting this week, my Labor colleagues. It is not sitting, and the Rudd government has sought to introduce, debate and pass 10 bills this week, including a number today. Last year, of the 168 bills, only 11 were passed in the same week. All but one stayed within convention, and all of them were passed at a time when the Senate was sitting. Now this government wants to put 10 bills through when the Senate is not sitting. They have said, 'We don't care about convention and we are not interested in ensuring that there is proper scrutiny and proper accountability', even though this fraud, this farce, this con called Rudd went to the Australian people and said, 'I believe in a new era of independence. I believe in accountability and in new standards'. And what does he do? What is the first act that he puts forward? An act of tyranny on the parliament that says, 'I will put 10 bills through in the same week. I will give no warning. I will give no notice. I want them all done and all dusted even though the Senate is not sitting'. And get this: there are no grounds for urgency in any of this. The House is sitting again next week—therefore there is time to consider these bills in detail. Even if this plethora of bills—these 10 that demand the parliament's absolute and undivided attention now—were passed today, the bills cannot be introduced in the Senate until 16 June at the earliest. Even then, bills are still subject to referral to a Senate committee. If the referral is made, the Senate will be unable to debate the bills until the report is tabled as no legislative committee can meet when the Senate sits, under Senate standing orders. Any bills sent to committee cannot be debated before resumption of the Senate on 26 August.

This is not about urgency. This has nothing to do with urgency. If this legislation were genuinely urgent, if these 10 bills that this government rushed

through last night and demanded the House look at were indeed urgent, the Senate would be sitting. But they are not. And the Senate will not be sitting again until 16 June. That only leads me to one conclusion: this is all about diverting the attention of the media away from petrol and the government's failure to guarantee that Australian motorists will not be worse off after the introduction of FuelWatch—or, as the Australian people are now calling it, 'FoolWatch'. This is about a government that cannot guarantee that no-one will be worse off. It is a government that is consumed by spin. It is a government that is hopelessly trying to cover the fact that, at the Adelaide declaration, the Prime Minister stood there and told the Australian people: 'There is nothing more I can do.' The Prime Minister stood up, held the white flag high and admitted defeat. Where I come from, and with a military background, we do not admit defeat—we fight until the very end. This Prime Minister is an example of all that is disgraceful in running up the white flag. So, here we have it, one of these 10 notorious bills that demand such urgency, even though the Senate is not sitting. That, government, is a joke.

The Tax Laws Amendment (Budget Measures) Bill 2008—let us call it the FBT bill—is a classic Labor Party budget measure. It is an increase in taxes that will hurt Australian workers and employees, all lumped up and disguised, wrapped with a pretty red ribbon in a box called 'closing loopholes'. According to Treasury's own estimates, this will deliver \$1.3 billion over the forward estimates to government coffers. So why don't we just call this what it so patently and obviously is: a grab for tax. Why wrap it up into something that it is not? Why try the chameleon effect? Why not call it what it is?

This bill only strengthens my view, and undoubtedly the views of most small business owners throughout the country, that Labor does not care about small business, it does not understand small business and it does not appreciate the contribution that small business makes to the economy. I represent the hardworking men and women of Fadden, on the northern Gold Coast. Fadden is one of three electorates that cover the Gold Coast. And the Gold Coast, as we know, has more small to medium enterprises than any area of commensurable population in the country. So I can say with some authority that I stand here and represent small to medium enterprises. And let me give you the drum: they are not impressed.

Let us look at the software changes. This bill increases the period over which taxpayers write off for tax purposes depreciable purchased and in-house developed software, but it changes from 2½ to four years. This effectively reduces the rate of depreciation from 40 per cent per annum, excepting the third half-year, to 25 per cent per year. Expenditure for in-house computer software is incurred by acquiring, developing or having someone else develop computer software. But it also includes off-the-shelf purchases. The change took effect on 13 May. There was no warning for the software industry. There was no: 'Let's look at global competitiveness; let's us look at your research and development; let's look at what's best for the industry—for companies and small to medium enterprises.' There was none of that. In an act of unilateralism, it was just in the budget and bang! It was stopped.

In absolute deference to the member for Lindsay, I am IT literate. I have a masters degree in IT and founded, with a colleague, a company in IT contracting and recruiting. I have a fairly good idea of how IT actually works. And it does not take a genius to realise that four years is an enormous length of time for software to remain current. This is a measure that stifles efficiency in small business, and will no doubt be reflected in labour productivity figures as Australian business finds itself behind the eight ball while our international competitors continue to be encouraged to innovate and use technology to develop and deliver economic growth. The most bewildering thing about these measures is that straight-line depreciation, used when deducting the cost of software to business, would deliver the same depreciation figures over time as the previous measure, though it would take four years, not 2½ years. So, previously, business over 2½ years would depreciate their software. Now it is going to take four years. They will lose 1½

years of deductible expenses that they would have used to reinvest in their business for research and development, for employee share options, for employee benefits or for a whole range of initiatives they might take. Small to medium businesses across Australia have now lost 1½ years of expenses that they could use to build their business. And, generally, when it comes to software, depreciation allows businesses to build extra modules, to put in extra enhancements for their software and to make themselves more competitive. They now have to wait 1½ years longer to realise the full expense deduction of that depreciation. We are deferring tax deductions rather than reducing them.

This is a tax on small business. Let us call it what it is. Let us look in the mirror unashamedly and call this what it is: a grab for tax. This government are saying to small and medium enterprises, to the member for Moncrieff—who I note is at the table—to my electorate of Fadden and to the Gold Coast, which has the largest number of small to medium enterprises: ‘We are going to defer 1½ years of deductions so that we the government can keep the money and earn interest. Sorry, you can’t claim those deductions for a further year and a half. We’re sorry you have missed out on the expense claims that you are due, that you can’t reinvest that to make yourselves more internationally competitive, that you can’t invest that in R&D, because we, a Labor government that have no idea about small business, want to take it off you.’

That point is indicative of the changes put forward by a rudderless government. They do not understand the importance to the Australian economy of workplaces maintaining their international competitiveness and productivity. The really odd thing is that reducing the time to depreciate software in itself can be inflationary, in that software costs impact on every part of business life. Everything runs on software. You cannot get on an escalator, get in an elevator, go through an automatic door or get into a cab that uses automatic billing systems without having software running on it. If a business cannot realise depreciation on its software in 2½ years, if it cannot realise the expense deductions, it will be forced to pass those costs of business on to consumers, which results in—wait for it—higher prices, and higher prices equals inflation. It is absolutely staggering that the ‘happy member for Lilley’, who rolled out ‘Australians are happy’ and who has a war on inflation—because apparently the inflation genie is out of the bottle—said, in an act of absolute economic lunacy, a day before the Reserve Bank raised interest rates, that he would change something to actually put inflationary pressure on the economy.

Small business is not impressed. Once again this government has let small business down. I remind the government that small business employs 50 per cent of Australians. Fifty per cent of Australians are employed by small business, yet this government says to small business: ‘We’re sorry—we don’t care that the change from 2½ to four years depreciation for software will have an inflationary impact, will cause you to rise prices and will make it more difficult economically for you.’ This is appalling—absolutely appalling.

I move on to electronic equipment. Electronic equipment is given an FBT exception but it now has to satisfy a concept: used primarily for work purposes. The test is a subjective one, for which no clear guidance is given by the government. The government rush this legislation through, even though the Senate cannot look at it until 16 June—or until the end of August if, indeed, it goes to inquiry. It was so urgent that it had to come before the House. The government have given no clear guidance on what ‘used primarily for work purposes’ means.

Employers, and especially small to medium enterprises, have no choice now but to have more administration and more paperwork to ensure the test is met, to ensure they can work through an audit process if audited and to ensure they have appropriate means of substantiating the use of the exemption. In an environment where governments are supposedly trying to reduce the compliance

and administration burdens of taxes on business, it is disappointing that the proposed amendment is going to cause more administration for businesses. Indeed, given the subjective nature of this test, businesses may be risking FBT exposure by adopting a particular position and may be forced to pay FBT on the item merely to avoid the risk of such exposure.

Companies can allow employees to salary sacrifice communications equipment, including laptops, for work purposes, but there is no guidance given, so how do we know what it is? If the laptop is at home to allow the employee to log into the systems at night for half an hour and the rest of the time the kids use it, is that primarily for work purposes? If you use the test of hours used, the answer is no. If you look at the test of the impact on the business of an employee who happens to be a systems administrator and is only one of seven administrators for a major bank and who has to move in because there is a problem with cheque clearances that might cost a bank \$2 million if they do not make the short-term money market, may I suggest the business imperative argument is a sound yes. But it is impossible to determine whether it is an hours-used or a business-imperative argument, because this government has not bothered to work through the unintended consequences and decide the rules on what 'used primarily for work purposes' actually means.

This is appallingly sloppy legislation. This government had 11 years in opposition—11 years to put together a legislative agenda that actually makes sense, and what do we get? We get nonsense bills like this, rushed through last night. Ten bills in the same week that apparently have to be dealt with because of the urgency, even though the Senate does not sit until 16 June. Last year there were 168 bills and 11 were introduced in a week. The Senate was sitting and they did not break the convention, except one time. That is the history; that is the convention. The fact is that this is what this government has done. This government stands condemned.

*Mrs D'Ath interjecting—*

**Mr ROBERT**—The member for Petrie may find it completely amusing, as she is an industrial advocate only with experience in screwing small business over, not actually working with them, assisting them or helping them. But let me give you the drum, member for Petrie: small business is not impressed. They are not impressed by this government. They think this government is a fraud, they think it is a con, and they think this bill should be shot down.