



MEDIA STATEMENT

6 October 2020

Blockbuster budget a cash splash for small businesses

The Australian Small Business and Family Enterprise Ombudsman Kate Carnell says the Federal Government's 2020 Budget is one for the history books, with a record spend that will help lift small businesses out of the COVID crisis and provide a much-needed boost to economic confidence.

The Budget includes a number of new, extended and existing measures to further support small business including:

- \$4.3 million for Beyond Blue's NewAccess service, providing mental health support for small businesses
- \$1.2 billion on the extension of wage subsidies for apprentices and trainees
- \$850 million on JobMaker hiring credit payable for up to 12 months to employers who hire young people (aged 16-35 years)
- \$15 billion in JobKeeper payments
- \$1.9 billion for loss carry back tax provision
- \$26.7 billion in instant asset write-offs for business - uncapped
- \$800 million national digitisation plan

"Tonight's budget represents the biggest-ever fiscal response to an economic downturn in Australian history," Ms Carnell says.

"While this is entirely appropriate given we are in the midst of the worst conditions we have seen since the Great Depression, this does come with a record high deficit of \$213 billion, and that is projected to balloon to \$966 billion in 2024.

"Given the number of measures that target the small business sector in this Budget, the Federal Government has clearly acknowledged the role small and family businesses have to play in the nation's economic recovery."

NewAccess

Ms Carnell welcomed the Federal Government's \$4.3 million commitment to Beyond Blue's *NewAccess for Small Business* service, which will provide small business owners with free one-on-one telehealth sessions with trained mental health coaches from early next year.

"Mental health is proving to be the next big challenge to emerge from the COVID crisis and it's particularly impacting the small business community," Ms Carnell says.

"There has never been a tougher time to be in business. Small business owners are struggling to stay afloat and keep their staff employed throughout this difficult period.

“Small business loans are often secured against the family home, so if they lose their business they can lose their home. It means the stakes are incredibly high and that is understandably taking a huge toll on small business owners’ mental health.

“Beyond Blue’s *NewAccess* service offers evidence-based, personal advice on strategies for managing stress.

“Crucially, it’s provided by specially trained coaches that have experience in small business. Being able to talk to someone who understands the mental load of running a small business will make a real difference.

“My office will be working in partnership with Beyond Blue to promote *NewAccess* and connect small business owners with the service via our call centre and assistance team. It will also be fully integrated into our [My Business Health](#) web portal.”

JobTrainer

A further \$1.2 billion will be spent on extending the JobTrainer package, supporting SMEs employing apprentices and trainees with a 50% wage subsidy, up to \$7,000 per quarter, for 12 months.

“This is an excellent initiative that responds to the needs of SMEs as they work to come out the other side of this crisis,” Ms Carnell says.

“It incentivises SMEs to take on new staff and helps with labour costs, particularly for young people who are doing a lot of on-the-job learning in the first year.”

Loss Carry Back

“This is a tax initiative that will result in tangible benefits for small businesses that would have otherwise been profitable if not for harsh trading restrictions and lockdowns,” Ms Carnell says.

“It effectively allows a small business that has paid tax on profits in or after 2019 to claim back losses incurred from full year 2020 to June 2022.”

R&D incentives

“Its good to see that small businesses will have a tax offset set at 18.5% above their company tax rate and the \$4 million cap on annual cash refunds will not proceed,” Ms Carnell says.

“However, I am concerned the government has failed to clarify the position on software R&D. Small business undertaking innovative work in the software space desperately need certainty around eligibility from government.”

National Digitisation Plan

The Federal Government has pledged \$800 million in this year’s budget to help businesses take advantage of digital technology.

“Over \$400 million will be allocated to create a national directory, to be administered by the ATO,” Ms Carnell says.

“From a small business perspective, it means you can register for an ABN, ACN or licence in just one place – significantly cutting red tape.

“We know the pandemic has already forced many small businesses to make a decade of changes in just a few months by changing the way they do business, so it’s encouraging the government is supporting small businesses to modernise with technology.”

Instant Asset Write-off

“In possibly the biggest win to come from this year’s budget, small businesses can now write-off the full value of assets purchased until 2022,” Ms Carnell says.

“This gives small businesses time and certainty to plan to buy major equipment.

“It also significantly reduces the need for depreciation and cuts red tape.”

Missed opportunities

Small Business Viability Review Program

“While the Federal Government has made great strides towards overhauling insolvency rules, it has unfortunately overlooked helping small businesses make the critical first step to sit down with their trusted adviser for a viability assessment” Ms Carnell says.

“My office – in coordination with the national peak accounting and bookkeeping bodies – has been calling for the establishment of a small business viability program, where small business owners facing financial stress can obtain professional support valued at up to \$5,000 to access tailored advice on the state of their business.

“Small businesses need access to an accredited professional adviser to judge the viability of their business now, so they can make an informed decision about the future of their business and actually do something about it.

“Unfortunately small businesses with cash flow issues, compounded by falling revenue, may not seek out professional advice because it’s deemed to be unaffordable. This could imperil their future.”

FBT

“The budget included a number of minor exemptions to Fringe Benefits Tax (FBT), however it’s disappointing the Government has not taken on board our recommendation to abolish FBT for at least 2 years,” Ms Carnell says.

“Abolishing FBT would have provided a much-needed cash flow boost to the economy and supported struggling small businesses.

“FBT is discouraging businesses from spending with small businesses, which reduces the amount of money flowing into the economy.”

Procurement

“The Government missed a golden opportunity to commit to prioritising small businesses when procuring work,” Ms Carnell says.

“It’s disappointing because Australian small businesses should have a larger slice of the pie.

“The total proportion of Commonwealth Government contracts awarded to SMEs in 2018/19 was 26%. Given that 94% of total Government contracts are valued under \$1 million with 59% below \$80,000, such a low proportion of contracts to SMEs is unacceptable.

“It’s clear current Government procurement processes preference large businesses and that can only change with the establishment of a small business procurement panel.”

Revenue Contingent Loans

“Unfortunately, small business revenue contingent loans were not included in tonight’s budget,” Ms Carnell says.

“Given the ongoing, uncertain trading conditions, small businesses would be more likely to take out a revenue contingent loan, than seek finance under the government’s current SME scheme.

“As recommended in our COVID-19 Recovery Plan, the small business revenue contingent loan would be Government-funded and operate in a similar way to HECS, with small businesses only required to start repaying once turnover reached an agreed level. If revenue was to drop below that level, payments would cease.

“Access to finance is critical to small business survival, particularly at a time when a number of support measures are being tapered or ending entirely.

“Had it been included in the budget, revenue contingent loans would have given small businesses the confidence needed to seek funding to get them through this crisis, so they can grow and employ.”

Childcare

“Despite some additional targeted support for Victorian families, childcare will remain unaffordable for many Australian women in small businesses, particularly those currently surviving on JobKeeper,” Ms Carnell says.

“38% of small businesses are owned and operated by women, many of whom rely on childcare as they work to get their businesses back up and running again.

“We know this recession has had a disproportionate impact on women and with childcare fees remaining unaffordable it means mothers – more often than not – need to spend more time at home. It’s bad for business and even worse for the economy.

“The Grattan Institute estimates an overhaul of the childcare subsidy system would add \$11 billion per year to GDP and increase hours worked by 13%.

There’s no doubt that affordable childcare would allow more women to work on growing their businesses, which would deliver productivity gains.”

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Budget 2020

Small business snapshot

- ✓ Full value of asset under instant asset write-off
- ✓ Mental health support service
- ✓ National Digitisation Plan
- ✓ Wage subsidies for apprentices and trainees

Wins for Small Business

R&D incentives

Small businesses will have a tax offset set at 18.5% above their company tax rate and the \$4 million cap on annual cash refunds will not proceed.

JobTrainer

\$1.2 billion to extend the JobTrainer package to support SMEs employing apprentices and trainees with a 50% wage subsidy, up to \$7,000 per quarter, for 12 months.



Instant asset write-off

Small businesses can now write-off the full value of assets purchased until 2022 which gives small business time and certainty to plan to buy major equipment.

Loss carry back tax provision

This tax incentive will benefit small businesses that would have been profitable if not for harsh trading restrictions and lockdowns. It effectively allows a small business that has paid tax on profits in or after 2019 to claim back losses incurred from full year 2020 to June 2022.

National Digitisation Plan

\$800 million to help businesses take advantage of digital technology. Over \$400 million will be allocated to create a national directory. This means small businesses will be able to register for an ABN, ACN or licence in just one place.



Mental health support

The \$4.3 million for the Beyond Blue NewAccess for Small Business service will provide small business owners with free one-on-one telehealth sessions with trained mental health coaches.



Procurement

Small businesses need a larger slice of the pie when procuring government work. This will only change with the establishment of a small business procurement panel.

Childcare

Childcare fees remain unaffordable for many women in small businesses which is bad for business and the economy.

R&D incentives

Small businesses undertaking innovative work in the software space need certainty around eligibility.



Missed Opportunities

Fringe Benefits Tax

Abolishing fringe benefits tax for at least two years would have provided a much-needed cash flow boost to the economy and support struggling small businesses.

Revenue contingent loans

Revenue contingent loans would have given small businesses the confidence needed to seek funding to get them through the COVID crisis.

Small Business Viability Review Program

Small businesses need access to an accredited professional advisor to judge the viability of their business. Small business owners facing financial stress should be able to obtain professional support valued at up to \$5,000.

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