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IPA INSTITUTE OF PUBLIC
ACCOUNTANTS

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DIFFERENTIAL TAX RATES FOR SMALL BUSINESS NOT A BAD THING

Further lowering the company tax rate for small business would help Australia drive productivity and future economic growth, according to the Institute of Public Accountants (IPA).

“The 2015 Federal budget made steps in the right direction with a 1.5 per cent corporate tax cut for incorporated small businesses. Unincorporated small businesses also receive a tax discount of 5 per cent up to a cap of \$1,000,” said IPA chief executive officer, Andrew Conway.

“Small business is still defined as using the existing \$2 million turnover test which has not been indexed since it was introduced in 2007. If this had been indexed it would now be \$3 million.

“The IPA has long advocated for a concessional income tax rate for small businesses to compensate for the regressive nature of compliance costs on such entities.

“It must be recognised that the long term well-being of the nation is dependent on the productivity and growth of the small business sector.

“A two-tier tax system is not as bizarre as some organisations have touted but can be quite the opposite in delivering a more efficient tax regime which is fairer for small business. A lower tax regime for small business is already part of the corporate tax regime in a number of OECD countries including Canada, France and Japan.

“Whilst differential rates of taxation may add some limited degree of complexity, it is more than offset by the benefits gained by small businesses being able to reinvest cash flow savings from lower taxes to sustain their growth,” said Mr Conway.

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About the Institute of Public Accountants

The IPA, formed in 1923, is one of Australia's three legally recognised professional accounting bodies. In late 2014, the IPA acquired the Institute of Financial Accountants in the UK and formed the IPA Group, with more than 35,000 members and students in over 65 countries. The IPA is a member of the International Federation of Accountants, the Accounting Professional and Ethical Standards Board and the Confederation of Asian and Pacific Accountants. The IPA was recognised in 2012 as Australia's most innovative accounting organisation and listed in the top 20 in the 2012 *BRW* Most Innovative Companies List.