



MEDIA RELEASE

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Rudd Government still silent on stealth plan to slug small business contractors

The Rudd Government continues to use the Henry Tax Review as a stealth strategy to break an election promise and to impose a new tax slug on small business independent contractors

Neither the Assistant Treasurer or Small Business Minister has reassured the small business community that the Government will honour explicit pre-election promises to independent contractors not to change the current law, nor retracted the insult that this concern was brushed aside in the Senate by a senior Minister because it is not part of the Rudd Labor Government's 'big picture'.

This is a very big deal for the self-employed and independent contractors and clearly it was thought to be politically important to Labor before the last election to make promises to this section of the small business community.

Now, all that seems important to this arrogant and out-of-touch Rudd Labor Government is breaking an election promise to raise the taxation and red-tape burden on the self-employed people and independent contractors, without justification, only to appease a few aggrieved and envious unionists.

Why has the Small Business Minister, Craig Emerson seen fit to turn his back on his written undertakings before the election, purely to uphold another pre-election statement that "*we (Labor) must never loosen our bonds with the trade union movement*".

The Rudd Labor Government continues to refuse to rule out adopting recommendations being considered by the Henry Tax Review that would turn tens of thousands of self-employed and small business contractors into 'employees' for tax purposes despite an election promise not to make any changes.

In 2007, Labor promised that they would not change the current tax laws. Now that law is being scrutinised with a view to turn the existing laws upside down.

The Rudd Government then praised the report that recommended changes to the very law Labor said it wouldn't touch and sponsored the recommendations to the Henry Review for consideration, with Assistant Treasurer, Senator Nick Sherry claiming that existing personal services income laws were "*a threat to the integrity of the taxation system and a threat to working conditions of employees*".

These Government-sponsored recommendations will turn the current laws on its head and create extraordinary new red-tape burdens, reporting obligations and complex regulatory requirements, after unfairly labelling tens of thousand of legitimate self-employed and independent contractors as 'shams'.

It is clear why the union movement wants to drag small business in to its web by forcing more 'direct employment' arrangements, but the Rudd Government makes no case for the need for change and seems only interested in a tax gouge on the small business and independent contracting community to help paper over Labor's huge Budget deficits.

The only evidence provided to support the claim that the current arrangements need changing is the result of a 2008-09 ATO compliance effort that identified 231 cases of high risk where 83% were found to be non-compliant.

This just proves that compliance activity targeting high risk cases is appropriate and should continue, but extrapolate this targeted activity to imply that 4 out of 5 independent contractors are likely to be non-compliant with the current laws is complete nonsense.

This no evidence-base to justify over-turning current laws to make changes that introducing new reporting obligations, extending the attribution rules to personal services businesses, vary deduction provisions, implementing a new 'employee-like' test or to introduce the complexity and red tape of a deemed labour income approach.

The Rudd Labor Government needs to urgently confirm that it will honour its pre-election promise to independent contractors or urgently explain how it will increase the tax-take from the self employed and small business contractors.