

One man can make Abbott PM

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One man has the potential to single handedly make Tony Abbott Prime Minister of Australia – Assistant Treasurer Nick Sherry.

Sherry appears to be concocting one of the biggest attacks ever mounted on the small business community by a government minister in direct violation of solemn promises made by Kevin Rudd's ALP at the last election.

Once Tony Abbott understands what Sherry has on his agenda, the Coalition will realise that unless Sherry is well and truly put back in his box, Anthony John Abbott has a real chance to be Prime Minister later this year.

These are not claims I make lightly. Both John Howard and Peter Costello were very careful to make sure that small enterprises had to be treated fairly and sensibly.

At the last election, Kevin Rudd might not have been elected had his party not guaranteed in writing to continue the same basic policy. And until now, Rudd and his people have honoured the ALP promise.

But in the background is a seething union movement that wants small contractors to be turned into employees so they can be put in their web.

In a nutshell, what happened was the Board of Taxation came up with a series of outrageous recommendations and Sherry – instead of saying that these recommendations were against ALP policy and that they would send small business into chaos – gave them his blessing and even thanked the unions for their input. Sherry has sent them off to the Henry Committee for review (*Full coverage: **Henry tax review***).

So here are just a few of the ideas that Sherry now has on his agenda.

Each plumber or computer consultant in Australia will need to differentiate between their income from capital (spanners, shovels and computers) and their income from labour (digging the ditches and writing software).

Under the Sherry-blessed plan, part of the income derived from labour would be attributed to the person who supplied the labour and those people would be treated as employees – not business people. The income earned on capital could be returned to the owner(s) of the capital, which may differ from the person who provided the labour. Have you ever heard of anything more stupid? But the Sherry-blessed plan gets worse.

The plumber and computer person must make an annual report to the ATO so that the ATO can match data to see how many clients they have had in a year. If more than 80 per cent of the business income came from one group then whammo! You are an employee.

And once the plumber and computer consultant are deemed to be employees, all their business deductions will be looked at in a different light. Their customers may be required to deduct tax when they pay the invoice.

And, oh yes, every business must have two employees to be a business.

There are a lot more crazies being considered, but that's enough to confirm that, potentially, this is a candidate to rank as the biggest attack anyone has ever mounted against the Australian small business community.

The whole Sherry plan will bind the small enterprise community in red tape and slash Australian productivity. Sherry justifies the proposals this way: "The use of sham contractors is a threat to the integrity of the taxation system and a threat to working conditions of employees – and the Rudd government is determined to see an end to its inappropriate use."

No one will argue about that principle. The first step is to determine from the Australian Tax office what the problem is and then you fine tune the ALP policy presented at the last election.

You don't send the whole small business sector into chaos because a few people are sham contractors. The first alert to what was on the Sherry agenda came from **Ken Phillips** in a report ***Business Spectator*** just before Christmas, which also has links to the actual Board of Taxation report and the Sherry press release.

Both the coalition and ALP research shows that small business people tend to congregate in marginal seats. In the last election they were not under attack from either party and voted on other issues. But in 2010, once Tony Abbott explains to them what Nick Sherry has put on his agenda they will vote almost as one.

The latest statistics show that 212,000 of the small business people Sherry is targeting live in 20 marginal electorates and they will each influence two or three more voters – at least. The 212,000 business people in Sherry's sites vote in Bass (Tas); Bennelong (NSW); Bowman (Qld); Braddon (Tas); Corangamite (Vic); Cowper (NSW); Deakin (Vic); Dickson (Qld); Flynn (Qld); Hasluck (WA); Herbert (Qld); LaTrobe (Vic); Macarthur (NSW); McEwen (Vic); Paterson (NSW); Robertson (NSW); Solomon (NT); Stirling (WA); Sturt (SA); and Swan (WA). The coalition will soon know how many Sherry targets are in each electorate.

Mark Westfield undertook a fascinating analysis of where Labor and Liberals might win seats in the next election. When he wrote that, Westfield had no idea that Nick Sherry was canvassing a policy that, if left unchanged, would almost certainly deliver the above 20 marginal seats to Tony Abbott and give him government.

Kevin Rudd says that he needs to improve. The first improvement should be to tell Nick Sherry about the ALP promise at the last election. Unless he rejects the crazy ideas of the Board of Taxation, Rudd should find someone to be Assistant Treasurer who understands small business. (SOURCE: *Business Spectator*, 3.3.10)