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### MEDIA RELEASE

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#### **Rudd Government keeps alive stealth plan to slug small business contractors**

After months of using the Henry Tax Review to hide behind, the Rudd Labor Government must come clean about whether it plans to break or honour an election promise to small business independent contractors not to change current tax laws.

The Rudd Government must immediately and categorically rule out tax law changes demanded by the union movement and endorsed by the Assistant Treasurer that seek to treat small business independent contractors more like employees after refusing to reject the Henry recommendation (No. 10) revise the current regime.

Despite the election 'no change' promise, the Rudd Government has chosen to slip and slide about whether Labor will honour explicit pre-election promises to independent contractors not to change the current law, brushing aside tax questions in the Senate of great importance to the self-employed and independent contractors as 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.

The shelter of the Henry Tax Review has been removed to reveal that the Government is considering changes to the very personal services income laws Labor said it wouldn't touch.

Despite Labor's written 'no change' assurance, Assistant Treasurer, Senator Nick Sherry has previously stated that existing personal services income laws were "*a threat to the integrity of the taxation system and a threat to working conditions of employees*".

Government-sponsored recommendations, kept alive and further advocate by Henry, 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'.

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*".

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

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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. Trying to extrapolate this targeted compliance activity to imply that 4 out of 5 independent contractors are likely to be non-compliant with the current laws is complete nonsense and offensive to small business independent contractors.

The Rudd Labor Government needs to urgently confirm that it will honour its pre-election promise to independent contractors or 'fess up that it will increase the tax-take from the self employed and small business contractors if re-elected.