



# Business to PM: Don't ruin confidence

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The business community has urged the Abbott government to spread the burden of repair in the budget next month to avoid further hits to confidence.

As Prime Minister Tony Abbott sought to reassure business that the budget would offset all new spending and the deficit would start to shrink, Australian Chamber of Commerce and Industry president Peter Hood said the budget needed to be fair but also must shore up sagging business confidence.

"I don't think there is any doubt that we need a budget that is demonstrably fair and that encourages all sectors of the Australian economy to make equitable sacrifices that allow the budget to be at least balanced," Mr Hood said.

"We must be careful that in that process, business regains confidence. It is

business and private-sector growth that create the prosperity and jobs we need, and vibrant business means a vibrant Australia."

Mr Hood's remarks came as he introduced Mr Abbott, who used a speech to an ACCI lunch to outline the parameters of his budget. He said despite the falling iron ore price wiping \$30 billion from revenue since last year's budget, "the deficit will decline every year".

JP Morgan economists disputed this, estimating a \$45 billion deficit for 2014-15, and a \$35 billion deficit for 2015-16. These are about \$5 billion higher than the forecast in the mid-year budget update.

Mr Abbott used the speech to reas-

sure families they would be spared in this year's budget. Households bore the brunt of last year's budget while business was spared. Down in the polls as a result, the government has already flagged a focus on business this year with plans for a so-called Google tax and a bank deposits tax.

But Mr Abbott also used the speech to emphasise plans to forge ahead with a tax cut of at least 1.5 per cent for all small businesses, regardless of how they were structured. The government is also looking at additional measures, such as accelerated depreciation.

As a consequence, Mr Abbott confirmed once more the government had dumped its paid parental leave scheme and the associated policy of cutting company tax for all businesses by 1.5 per cent to 28.5 per cent. The government also scrapped the plan to add back a 1.5 per cent levy for all businesses with taxable income over \$5 million to help pay for the PPL scheme. The savings from the dumped scheme will be used to fund the small business tax cuts, whereas the childcare package, the other key feature of the budget, will be funded from the existing childcare budget plus whatever savings can be made by passing welfare cuts from last year's budget, which are stuck in the Senate.

Big business was pleased at the confirmation the PPL levy had been scrapped but disappointed its tax rate would stay at 30 per cent.

Steve Knott, chief executive of the Australian Mines and Metals Association, urged to government not to give

up on cutting the company tax rate for medium and big business.

He said it was unfair that big business was left with a 30 per cent company tax rate even though the PPL had been dumped and there was no need for the levy. "The more fundamental consideration must be whether our levels of corporate taxes for all sizes of business are competitive and the extent to which they encourage or discourage investment and job relations in this country," he said.

ACCI chief executive Kate Carnell said that as the small business tax cut would create a two-tiered company tax system, she urged the government to model it on income tax, in which all business would pay 28.5 per cent on the first portion of income under a certain threshold.

## Key points

**Australian Chamber of Commerce and Industry says the budget needs to be fair.**

**It must also must shore up sagging business confidence, says the ACCI.**