



# MEDIA RELEASE

## DR CRAIG EMERSON

Minister for Small Business, Independent Contractors and the Service Economy  
Minister Assisting the Finance Minister on Deregulation

BUDGET\*  
2009-10

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### Budget boosts small business incentives and support by more than \$500 million

As a further demonstration of its strong commitment to small business, the Rudd Government is providing more than \$500.0 million in small business incentives and support in the 2009-10 Budget.

The Government will sharply increase its **Small Business and General Business Tax Break to 50 per cent for small businesses that acquire eligible assets by the end of 2009**, at a cost of **\$141.0 million**.

The incentive to undertake research and development will be doubled for most small businesses from 2010-11 under the new **Research and Development (R&D) Tax Credit** – replacing the existing R&D Tax Concession.

As an interim measure, the Government will lift the expenditure cap on eligible R&D for firms in tax loss from \$1.0 million to \$2.0 million for the 2009-10 financial year, at a cost of **\$65.0 million**.

The Budget also provides **\$10.0 million** over two years to establish a **Small Business Support Line** and referral service to assist small businesses during the global recession.

And to enable small businesses to take full advantage of the National Broadband Network, a further **\$10.0 million** will be provided over two years to establish a **Small Business Online** program. The program will equip small businesses to go online, improve their web facilities and engage in e-business.

The Government will establish a new **\$196.1 million Commonwealth Commercialisation Institute** to help small and medium companies to turn great ideas into commercial reality.

Further, the Budget provides an additional \$50.0 million for the **Export Market Development Grants (EMDG) Scheme** for 2008-09. An estimated 1,800 SMEs will benefit from the extra funding that will be paid in grants in June.

And there will be a **12 month extension of Exceptional Circumstances** assistance for farm-dependent small businesses.

The Government will continue to reduce Pay-As-You-Go tax instalments in 2009-10, which will also provide cash-flow relief for approximately one million small businesses.

These new initiatives build on the \$42 billion Nation Building and Jobs Plan that is providing new work opportunities for tradies, independent contractors and other small businesses in the construction of school, road, local council and housing infrastructure.

**Media Contact: Chris Ward 0418 424 654**

## **Detailed Measures**

### Small Business and General Business Tax Break

To support jobs and bolster economic activity within the engine room of the nation's economy, the Small Business and General Business Tax Break will be expanded for small businesses at a cost of \$141.0 million over the forward estimates.

Small businesses can claim a bonus 50 per cent tax deduction for eligible assets costing more than \$1,000 acquired from 13 December 2008 until 31 December 2009, and installed ready for use by 31 December 2010.

This is up from 30 per cent announced earlier this year and extends the period of eligibility by six months.

To benefit from this Tax Break a small business must have a turnover of less than \$2.0 million a year.

### R&D Tax Credit

The incentive for small businesses to undertake research and development will be increased under the new Research and Development (R&D) Tax Credit – replacing the R&D Tax Concession – by doubling the benefit available for most small firms from 2010-11.

The new R&D Tax Credit will benefit small and medium sized enterprises, by providing simple, effective assistance in the form of a 45 per cent refundable credit for firms with an annual turnover of less than \$20.0 million.

As an interim measure the expenditure cap on eligible R&D that can be claimed under the existing R&D Tax Offset for small firms in tax loss will be increased from \$1.0 million to \$2.0 million for the 2009-10 financial year at a cost of \$65.0 million.

### Small Business Support Line

Small business owners have told the Government they need extra advice during the global recession. The Small Business Support Line will act as a launching pad for small business owners seeking specialist advice in areas such as obtaining finance, cash flow management, retail leasing, personal stress and hardship counselling and marketing.

Support line advisers will link into the nationwide network of Business Enterprise Centres and other small business advisory services around Australia.

### Small Business Online

The roll-out of the National Broadband Network will provide enormous opportunities for small business to operate online, reduce costs and improve their marketing and customer reach.

Under this new program, funding will be provided to eligible organisations to assist small businesses to go online and improve their e-commerce capabilities.

### Commonwealth Commercialisation Institute

This revolutionary new Institute will support Australia's best new firms to realise their potential and will help keep home-grown ideas and jobs right here in Australia.

### Export Market Development Grants

The Government has delivered an extra \$50.0 million to ensure that an estimated 1,800 small and medium sized exporters will receive a much-needed funding boost when their Export Market Development Grants are paid in full in 2008-09.

### Rural Small Businesses

There will be a 12 month extension of Exceptional Circumstances assistance for farm-dependent small businesses. This continues the \$20,000 non-business salary and wages exemption for Exceptional Circumstances Relief Payments and the \$750,000 non-business asset exemption for the Exceptional Circumstances Interest Rate Subsidy.

### PAYG Cash Flow Relief

The Budget provides \$720m in PAYG cash-flow relief in 2009-10 for over 1 million small businesses who pay quarterly PAYG instalments based on their previous year's tax adjusted by GDP growth. The Government has reduced the GDP adjustment factor for calculating quarterly instalments from around 9 per cent to 2 per cent, to align with the expected increase in the CPI for 2009-10, as forecast in the February 2009 *Updated Economic and Fiscal Outlook*.