

FOR PRESS:



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EXPORT INCENTIVES

Statement by the Prime Minister, Mr. John Gorton

The Prime Minister, Mr. Gorton, today outlined a number of changes which the Government has decided to make in the two export incentive schemes which have been in operation since 1961.

"In the light of the facts before it", said the Prime Minister, "the Government is convinced that as a result of the proposed changes these schemes will offer better and more effective incentives to encourage the continued growth of Australian exports".

"During the review of the schemes undertaken by the Government we received many suggestions from individual exporters and export organisations", Mr. Gorton continued. "In this regard I would pay special tribute to the work of the Export Development Council and the Australian Manufacturers' Export Council, both of whom had made detailed submissions which had been of great assistance to the Government".

The Prime Minister pointed out that, under the proposed arrangements, rebates of payroll tax would continue to be allowed in respect of increases in export sales and income tax concessions would be available for eligible expenditure incurred in promoting exports. However, significant changes were proposed for both schemes.

Payroll Tax Rebates Scheme

So far as the Payroll Tax Rebate Scheme was concerned the major change proposed was the introduction of a new and simplified formula relating rebate entitlements only to increases in export sales. The new formula will provide that the entitlement to a rebate of payroll tax would amount to 10.5% of the increase in exports. The increase in exports will be calculated by deducting from the current year's exports the average annual exports in a base period. The percentage factor of 10.5% used in the formula will be reviewed from time to time.

The present base period will be replaced by a three year period which moves forward each year but remains five years behind the year of export. For example, in 1968/69, the first year of operation of the new scheme, the base period will be the three years 1960/61 to 1962/63. In the next year, 1969/70 the base period will be the three years 1961/62 to 1963/64. Special provision will be made for phasing in new exporters.

Mr. Gorton explained that this five year "lag" to the base period was designed to reduce the impact of switching from the previous fixed base of 1958/59, 1959/60. He said that under the proposed scheme most exporters would have a greater incentive to increase their exports than under the former scheme.

The Prime Minister added that a criticism levelled at the present scheme was that many exporters achieved export results which would entitle them to greater benefits if the rebate were not limited to the amount of the payroll tax that they paid in that year. The new scheme would include a new provision which will allow exporters to carry forward for up to three years some of their "excess". In addition it was proposed to continue the export certificate system under modified conditions which should make the system more attractive to both exporters and their suppliers of components or materials.

The scope of the scheme would be extended by the inclusion in the definition of export sales of certain items not included under the existing scheme.

Special arrangements would also be made to assist exporters whose rebate entitlements were found to be materially affected by the devaluation of foreign currencies late last year.

The scheme would be directed to encouraging the export of manufactures and primary products, where the need for incentives is greatest. Exports of petroleum, petroleum products, minerals, mineral concentrates and alumina will not participate in the new payroll tax scheme.

#### Market Development Allowance

The main change to the Export Market Development Allowance will be the allowance of a rebate of income tax of 42.5 cents in the \$ in respect of eligible promotional expenditure instead of an additional deduction from income. In the case of a public company for example, the effective rate of benefit would be increased from an equivalent of an income tax rebate of about 37.5 cents in the \$ under the old scheme to a rebate of 42.5 cents under the new scheme. The scope of the scheme would also be extended to cover several classes of expenditure not at present eligible.

The Prime Minister said that the Acting Minister for Trade and Industry, Mr. Anthony, would be issuing a more detailed statement of the proposed changes in the two incentives. He emphasised, however, that a comprehensive explanation of the two incentives could not be made until the Treasurer, Mr. McMahon, introduced the legislation into Parliament.

He concluded by saying that both schemes would come into effect from 1st July, 1968, and would continue to operate for a period of 5 years from that date. The current incentives expire on 30th June, 1968.

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CANBERRA  
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