



## PRIME MINISTER

FOR PRESS

8 MAY 1977

EMBARGO; 7.00 p.m.

### ELECTORATE TALK

Tonight I would like to talk to you about some of the measures which the Government has already taken to help small businesses function and prosper for the benefit, not only of themselves, and their employees, but for the good health of the community as a whole.

Small businesses are a significant part of the Australian economy, employing 40 percent of the workforce. For many members of the community there is great satisfaction in being the proprietor or partner in a small firm despite the often arduous nature of such a responsibility.

The first of the measures taken by the Government to help small businesses is the Investment Allowance Scheme. Under this Scheme 40 percent of the material cost of a range of new plant and certain improvements on primary production land, can be deducted from income for tax purposes. After June 30, 1978, the Special Investment Allowance will be 20 percent. In both cases, the allowances are additional to the normal deduction for depreciation on the full cost of the plant.

Another measure which helps business firms is the special trading stock valuation adjustment deduction. Under this scheme the rise in the cost of replacing trading stock, including livestock, is being taken into account. So far this is partial. For 1976/77 the value of stock for tax purposes will be increased by half the percentage increase in the goods component of the Consumer Price increase between June 1976 and June 1977. This reform is designed to protect firms from the impact on their trading produced when the cost of replacing goods is higher than the amount by which they have been written off.

The needs of small businesses were particularly in mind when the Government decided to allow private companies to retain free of undistributed income tax up to 60 percent of their after-tax business income. Previously, private companies could keep only 50 percent of this income without incurring extra tax.

Primary producers are now able to take advantage of a special scheme of income equalisation deposits. To avoid the special disadvantages that fluctuating income from primary production causes, they are now entitled to lodge deposits with the Tax Commissioner to reduce the income on which they pay tax in that year. That income

of course becomes taxable as part of the income for the year in which it is withdrawn.

The modifications to the averaging system for primary producers income will also have the effect of lowering the amount of personal income tax to which they are liable.

All members of the community, of course, benefit from the indexation of personal income tax which in July will once again increase the take-home pay of all people on the pay-as-you-earn scales.

All these measures demonstrate the Government's commitment to creating an economic climate in which businesses, small and large, can expand and prosper. These benefits which the Government has enacted are clearly of greater benefit than many of the assistance measures, such as advice bureaux and the like, which are talked of. These measures are hard-cash injection into small business profitability enabling them to invest and create new job opportunities.

Taken together they constitute unprecedented assistance for small businesses during a period when the rate of inflation is declining and business profitability rising.

In these circumstances, it is to be expected that business investment in plant and equipment should be increasing. It is indeed gratifying to note that this is happening and that during the calendar year of 1976 investment rose by 18 percent.

The economy is responding to the efforts of a Government which is dedicated to returning it to economic health.

000ooo000