

19 September 2022

Tina Smith
Director
Small Business Tax Unit
The Treasury
Langton Crescent
PARKES ACT 2600

By email: TechBoost@treasury.gov.au

Dear Ms Smith

Technology Investment Boost

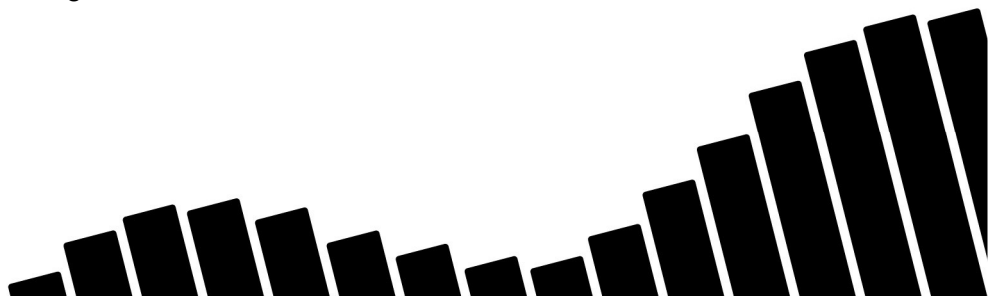
The Tax Institute welcomes the opportunity to make a submission to the Treasury in relation to the Treasury Laws Amendment (Measures for consultation) Bill 2022: Technology investment boost exposure draft legislation (**draft legislation**) and accompanying explanatory material (**explanatory material**) in relation to the introduction of the technology investment boost (**technology boost**).

In the development of this submission, we have closely consulted with our National Small and Medium Enterprises Technical Committee to prepare a considered response which represents the views of the broader membership of The Tax Institute.

The Tax Institute supports the enactment of legislation to amend the *Income Tax (Transitional Provisions) Act 1997 (IT(TP)A)* to introduce the technology boost and encourage the investment in digital technologies by small businesses. The enactment of the legislation should provide small businesses with certainty of their eligibility requirements and enable them to take appropriate action to adopt new technologies, as intended by the policy. For the policy to proceed as intended and effectively operate in the limited timeframe, it is imperative that the draft legislation and explanatory material clearly explain the operation and eligibility criteria of the technology boost.

Our comments below include certain recommendations that we consider will enhance the effectiveness of the technology boost to encourage investment in digital operations by small businesses.

We would be pleased to work with the Treasury to address the issues outlined in our submission so that the measure applies as intended and taxpayers have certainty regarding the types of expenditure that are eligible for the bonus deduction.



The Tax Institute is the leading forum for the tax community in Australia. We are committed to shaping the future of the tax profession and the continuous improvement of the tax system for the benefit of all. In this regard, The Tax Institute seeks to influence tax and revenue policy at the highest level with a view to achieving a better Australian tax system for all. Please refer to **Appendix B** for more about The Tax Institute.

If you would like to discuss any of the above, please contact our Tax Counsel, Julie Abdalla, on (02) 8223 0058 or our Senior Advocate, Robyn Jacobson, on (03) 9603 2008.

Yours faithfully,



Jerome Tse

President

APPENDIX A

We have set out below our detailed comments and observations for your consideration to ensure that the draft legislation and explanatory material are effective in meeting the policy intent and provide the most effective and practical advice for taxpayers and their advisers.

Eligible expenditure on digital operations

Paragraph 1.14 of the explanatory material contains a list of expenditure that is classified as digital or digitising operations and is eligible for the bonus deduction, subject to other eligibility requirements. This list is broad and may be subject to differing interpretations by taxpayers and tax practitioners. While paragraph 1.14 explains that the list of expenditure is not exhaustive, taxpayers and tax practitioners advising on eligibility would benefit from a more comprehensive list and additional examples. We consider that the items listed below in particular could be subject to differing interpretations and would benefit from further clarification.

The announcement of the measure in the Federal Budget 2022–23 papers referred to expenditure including ‘portable payment devices, cyber security systems or subscriptions to cloud based services.’ However, these items are not mentioned in the explanatory material.

Point of sales systems and related software would presumably be eligible for the technology boost under the ‘digital enabling items’ category, but this is not clear from the draft legislation or explanatory material. Further clarification in the explanatory material would benefit small businesses seeking to avail themselves of the bonus deduction for such expenditure.

In providing guidance on what falls under ‘digital media and marketing’, the explanatory material refers to audio and visual content associated with digital devices as being eligible expenditure for the purposes of the technology boost. Many small businesses use digital online marketing tools such as Mailchimp (a marketing platform to electronically deliver newsletters) or Shutterstock for images. Presumably, the technology boost would apply to these costs but small businesses would benefit from further clarification in the explanatory material of the types of expenditure encompassed in this category.

We consider that extending the examples in the explanatory material to include more complex or ‘grey area’ types of expenditures would provide greater certainty. The examples contained in the explanatory material relating to purchasing laptops and subscribing for accounting software are beneficial. However, in our view, these are obvious examples of eligible expenditure and would not be expected to enhance the understanding of the new provisions by small businesses. Examples of types of expenditure that may be closer to the boundary of being eligible or ineligible would provide users with a greater understanding of how the measure are intended to be applied. This will also better enable the ATO to effectively administer the measure.

We consider that the inclusion of the following or similar examples of digital expenditure would improve the value of the explanatory material:

- costs of electronic subscriptions that support the business operations such as:
 - cloud based accounting or industry specific software;
 - productivity apps, programs and platforms;

- technical resources to replace hard copy publications, including research databases (e.g. Wolters Kluwer subscription);
- customer relationship management (**CRM**) systems e.g. Salesforce; and
- human resources, payroll, inventory and other business support systems;
- antivirus software or other costs to provide protection to IT systems;
- Google, Facebook or other advertisements, and payments to external marketing agencies to manage these advertisements; and
- website developer and designer costs including setup, maintenance, and hosting costs.

Aligning the end date with the skills and training boost

We consider that an extension until 30 June 2024 will enhance the effectiveness of the policy by providing small businesses with additional time to invest in eligible digital technology. The technology boost, in its current form, is proposed to operate until 30 June 2023. Small businesses may be hesitant to invest in additional digital operations until the measure has the force of law. This will be a maximum period of nine months for taxpayers to avail themselves of the technology boost, and could be a shorter period, depending on when the enabling bill is enacted into law. Factors such as the availability of, or the ability to deliver, the eligible asset, or accessibility of finance, may delay or discourage small businesses from investing in technology and digitising their operations. Accordingly, we recommend the measure be extended until 30 June 2024. This will align its application with the skills and training boost and provide small businesses with sufficient opportunity to benefit from the technology boost.

APPENDIX B

About The Tax Institute

The Tax Institute is the leading forum for the tax community in Australia. We are committed to representing our members, shaping the future of the tax profession and continuous improvement of the tax system for the benefit of all, through the advancement of knowledge, member support and advocacy.

Our membership of more than 11,000 includes tax professionals from commerce and industry, academia, government and public practice throughout Australia. Our tax community reach extends to over 40,000 Australian business leaders, tax professionals, government employees and students through the provision of specialist, practical and accurate knowledge and learning.

We are committed to propelling members onto the global stage, with over 7,000 of our members holding the Chartered Tax Adviser designation which represents the internationally recognised mark of expertise.

The Tax Institute was established in 1943 with the aim of improving the position of tax agents, tax law and administration. More than seven decades later, our values, friendships and members' unselfish desire to learn from each other are central to our success.

Australia's tax system has evolved, and The Tax Institute has become increasingly respected, dynamic and responsive, having contributed to shaping the changes that benefit our members and taxpayers today. We are known for our committed volunteers and the altruistic sharing of knowledge. Members are actively involved, ensuring that the technical products and services on offer meet the varied needs of Australia's tax professionals.