Red Tape Reduction Review

FEDERAL

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MASTER ELECTRICIANS AUSTRALIA

Master Electricians Australia (MEA) is a peak industry association representing electrical contractors and is recognised by industry, government and the community as a leading business partner, knowledge source and advocate. You can visit our website at www.masterelectricians.com.au

We commend the Australian Government for its focus on taxation red-tape issues and the impact these burdens have on businesses. We appreciate the opportunity to provide input into this consultation and to highlight the challenges faced by SMEs, particularly in the construction and electrical contracting sectors.

Taxation red tape remains a significant barrier for small businesses, reducing productivity, tightening already-thin cash flows, and diverting time and resources away from core operations. These pressures are amplified in labour-intensive industries, where compliance requirements often outweigh the scale of the businesses subject to them.

In this submission, we outline several targeted measures aimed at reducing unnecessary compliance burden, improving cash-flow certainty, and supporting a fairer, more proportionate tax framework for SMEs. We welcome continued engagement as these reforms progress.

Sector Specific Insights

ATO Threshold

The Australian Taxation Office (ATO) may disclose a business's tax debt to credit reporting bureaus (CRBs) if the debt exceeds $100,000 and is overdue by more than 90 days, provided the business is not effectively engaging with the ATO to manage the debt. Additionally, the ATO can issue a Director Penalty Notice (DPN), making company directors personally liable for certain unpaid tax obligations, such as Pay as You Go (PAYG) withholding, Goods and Services Tax (GST), and Superannuation Guarantee Charge (SGC).

These measures can significantly impact SMEs, particularly in the construction industry, which is experiencing high insolvency rates. SMEs often operate with tight cash flows and depend on timely payments from customers and large contractors. Delayed payments and bad debts, often beyond their control, can lead to tax debts that trigger ATO enforcement actions.

Once a tax debt is disclosed to CRBs, the business's credit profile may suffer, affecting its ability to secure financing, win tenders, or maintain supplier terms. The involvement of CRBs can lead to inflexible debt recovery processes, further exacerbating financial pressures on the business.

MEA advocates for a more nuanced approach to the ATO’s tax debt collection practices, particularly concerning the construction industry, which currently exhibits the highest rate of liquidations among all sectors. We propose that the ATO move away from its uniform 90-day disclosure policy for tax debts exceeding $100,000. Instead, we recommend implementing an industry-specific framework that considers the financial climate profiles inherent to different sectors. SMEs would need to evidence they are owed material monies in proportion to the outstanding tax debt. Such a tailored approach would allow for varying grace periods before debt disclosure, reflecting the unique challenges faced by businesses within each industry.

Coupled with enhanced support mechanisms to facilitate SMEs' engagement with the ATO in establishing and adhering to payment plans, this approach aims to improve debt recovery outcomes. By preventing premature liquidations prompted by rigid collection policies, the ATO stands to recover more substantial portions of outstanding debts, thereby benefiting both the businesses involved and the broader economy.

Additional Comments

Interest Payments

We advocate for interest-free payments of ATO debts for small business. Provided a payment plan is entered into (refer above to ***ATO Threshold*** section), a small business should not be charged high interest rates on ATO debts.

Tax Reforms

While these matters fall outside the scope of this consultation, MEA wishes to emphasise our position on the business tax reforms proposed through the Productivity Commission Review.

MEA has welcomed the proposed reduction in the corporate income tax (CIT) rate to 20%. However, we do not support the introduction of a 5% Net Cash Flow (NCF) tax or the removal of deductibility for interest on capital loans.

These reforms disproportionately advantage asset-heavy industries and would be detrimental to labour-intensive sectors such as electrical contracting, where capital investment is incidental. As a result, labour intensive businesses would typically receive minimal, if any, benefit from the proposed model despite carrying similar compliance and cost pressures as other business structures.

MEA instead supports making the existing Instant Asset Write-Off permanent with an increased cap e.g. $50,000, alongside applying the proposed reduced corporate tax rate to SMEs.

You can read more about our position in our response to the Productivity Commission here.

Conclusion

A one-size-fits-all tax compliance framework does not reflect the realities facing small businesses, especially construction contractors, who operate within volatile cash-flow environments and shoulder substantial compliance burdens.

By adopting a more calibrated, industry-aware approach to tax debt management, interest charges, and broader tax settings, the ATO and Government can materially strengthen the resilience of SMEs while improving overall debt-recovery outcomes.

MEA encourages continued collaboration to ensure Australia's tax system supports, rather than constrains, the viability and productivity of the small businesses that keep our construction and energy sectors moving.

We look forward to continued progress on reducing taxation red-tape burdens for small businesses and are available for further discussion.