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Technology Investment Boost

Thank you for the opportunity to provide commentary on the exposure draft legislation to introduce a Technology Investment Boost to help small businesses operate digitally.

We note the proposed Technology Investment Boost is aimed at supporting increased digitisation by small businesses with an aggregated annual turnover less than $50 million by providing an additional 20 per cent tax deduction for eligible expenditure incurred on eligible expenses and depreciating assets.

PwC is broadly supportive of incentivisation aimed at uplifting the cyber posture of Australia's small and medium enterprises (SMEs), which often struggle with the cost and resource requirements needed to achieve meaningful and sustainable digital and cybersecurity uplift. Such steps are essential if Australia is to keep pace and remain a smart and safe place to do business as the global economy continues to rapidly digitise. Tax incentives, like those proposed in the *Treasury Laws Amendment (Measures for consultation) Bill 2022: Technology investment boost* (the draft Bill), are a practical and pragmatic way to help drive digital uplift and ease the cost burden on business.

The Australian Competition and Consumer Commission's (ACCC) most recent scam report indicates small, medium and micro businesses are disproportionately impacted by online scams, with more than 2500 in combined reports made by this demographic in 2020-21[1]. The most common scam targeting these businesses is payment redirection (often a result of business email compromise), with combined reported 2021 losses totalling $227 million[2]. As noted in the report: "The most common contact method for reports and losses was email, which is not surprising given the scam that causes the highest losses involves scammers emailing invoices with a change of payment details"[3].

[1] Targeting Scams: Report of the ACCC on scams activity 2021, ACCC, P44
[2] Ibid 1
[3] Ibid 1

If this trend is to be mitigated, especially in a rapidly digitised business environment, basic digital training and education is key, because the people who use and operate digital systems are often the weakest link in securing them. Therefore, it would be advisable to better highlight the proposed Technology Investment Boost's linkage with the proposed Skills and Training Boost.

While PwC supports the intent of the draft Bill, we believe it would be enhanced by the provision of a more prescriptive list of eligible items in the explanatory materials to provide SMEs with greater certainty when purchasing digital products and services that would be eligible for the Technology Investment Boost deduction, including cybersecurity assets and services.

Prescriptive list of eligible digital products and services for deduction

In our view, the draft Bill in its current form, does not clearly articulate a sufficiently broad range of assets and expenses that can be claimed. While paragraph 1.14 of the explanatory materials does highlight the inclusion of digital enabling items, digital media and marketing and e-commerce, the definitions provided could be considered high level and overly broad[4]. Furthermore, cybersecurity products and services, which are essential for the secure delivery of digital services, are not explicitly included on the list. It is essential that, in the context of business digitisation, cybersecurity considerations are 'baked in' – that secure-by-design principles are embedded from the start. In this regard, the Technology Investment Boost has the potential to significantly improve the cybersecurity posture of SMEs, hardening the online environment at the same time business digitisation is occurring.

When it comes to making purchasing decisions eligible for tax incentives, SMEs seek certainty. Therefore, to help prevent confusion and to assist eligible businesses take full advantage of the Technology Investment Boost, PwC recommends providing a more prescriptive list of eligible assets and expenses, to be contained within the explanatory materials. This would support SMEs – which are often time and resource poor – to take a more targeted approach to purchasing products and services that would qualify under the scheme. For example, consideration should be given to referencing products and service like: cloud-based, automated security software as a service (SaaS) offerings, which remove the need for extensive in-house cybersecurity 'know how' by SMEs, and have the potential to significantly harden the digital environment; anti-phishing software; and digital invoice verification systems.

If such an approach was taken, with cybersecurity considerations built into the scheme, Australian SMEs could be better supported in the secure delivery of digital services, ultimately helping secure our nation's digital economy more broadly.

[4] https://treasury.gov.au/sites/default/files/2022-08/c2022-305555-em.pdf

Conclusion

We thank you for considering this submission and hope it helps inform the legislative approach to implementation of a Technology Investment Boost. As noted, the proposed scheme could have a transformative impact on Australian SMEs, bringing more businesses online to build our nation's digital economy. However, the push to digitisation cannot occur without cybersecurity considerations at its heart. Therefore, we reiterate that cybersecurity-related assets and expenditure be included in a prescriptive list of eligible expenses in the explanatory materials to provide business with greater clarity.

If you have any queries or would like to discuss this submission further, please contact myself on +61 418 533 346 or Anne-Louise Brown (anne-louise.brown@pwc.com or +61 406 987 050) from our Cyber and Digital Trust team.

Yours faithfully,

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