

Our advocacy team is based in Canberra

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Director
Personal Deductions and Fringe Benefits Tax Unit
Treasury
Langton Cres
Parkes ACT 2600
By email: deductions@treasury.gov.au

16 October 2024

Dear Director,

Re: Deny deductions for the general interest charge and shortfall interest charge

The Council of Small Business Organisations Australia (**COSBOA**) is the voice of Australia's 2.5 million small businesses. Small businesses through the pandemic and onwards have dealt with significant operational challenges and an increasingly complex regulatory environment. Recent research from CommBank found more than half of Australian small- and medium-sized businesses are feeling the stress of navigating the cost-of-living crisis, with 57 per cent of business owners reporting feeling stressed due to financial pressures.¹ Furthermore, a recent study from MYOB found one-third of small business owners cannot pay themselves due to cash flow challenges, and a quarter have resorted to using their personal savings to keep their businesses running.²

COSBOA is concerned with Treasury's proposal to deny deductions for General Interest Charge (GIC) and Shortfall Interest Charge (SIC). The proposal will disproportionately affect small businesses who are already struggling with cash flow issues. Small businesses with existing debt owing to the ATO will encounter a higher financial burden given the tax benefit of the deductions will no longer be available.

The complexity of these changes and their potential impact on cash flow management is likely to lead small business' to further increase their reliance on accountants and financial advisors for assistance with financial and tax planning. The proposal will also require small businesses to consider and invest funds into a more sophisticated cash flow management strategy. Whilst the ATO may exercise discretion to remit the GIC or SIC where there is financial hardship, COSBOA is concerned about a negative impact on small business' ability to make a compelling submission without external help which comes at a cost.

Additionally, for those small businesses already struggling to make ends meet, this proposal will result in more complexity, and a higher chance that the ATO's tax debt holdings may increase where businesses continue to struggle to pay the higher cost of their outstanding liabilities.

COSBOA recommends that Treasury delays this proposed denial of deductions to consider alternate ways in which to assist in the reduction of small business debt in the meantime.

COSBOA welcomes any further consultation Treasury or the ATO may wish to undertake on suggestions we can make to assist small businesses reducing their outstanding liabilities without negatively impacting on cash flow.

Kind regards,



Luke Achterstraat
Chief Executive Officer, COSBOA

¹ COSBOA, The Small Business Perspective Report – 2024, p 7.

² Ibid, p 6.