

Federal budget 2013: Little to celebrate for start-ups in Swan's farewell budget

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The 2013-14 federal budget was handed down last night. As expected the budget was very plain and focused on education, disability and infrastructure spending and savings that will be paid for by families and corporate business.

The budget deficit reached \$19.8 billion against the forecasted \$1.5 billion surplus. The forecasted deficit for 2013-14 is \$18 billion and slowly returning to the black in the following four years.

The government has blamed \$17 billion of downturn in revenue as the cause of the deficit, to me this is a lame excuse for the fact that they have not forecasted correctly, as even if they had collected all their \$17 billion in revenue the budget would still be \$2.8 billion in the red.

Given this, there was little to celebrate for business and start-ups in what may have been Labor's last budget.

Budget highlights

Superannuation reforms reconfirmed increasing the concessional contributions cap to \$35,000 from:

- July 1, 2013 for those aged 60 and over
- July 1, 2014 for those aged 50 and over

This is a huge win for small business given the amount of tax savings that can be achieved by the extra \$10,000 deposit.

Venture funding gets a boost

The government will make changes to the Venture Capital Limited Partnership (VCLP) and the Early Stage Venture Capital Limited Partnership (ESVCLP) regimes. These changes include:

- Deem any gains or losses made by a VCLP on the disposal of an eligible venture capital investment held for 12 months that flow through to partners to be on capital account for eligible domestic partners; and
- Lower the minimum investment capital required for entry into the ESVCLP program from \$10 million to \$5 million to facilitate increased investment by 'angel' investors.

The government also pledged funding of \$350 million of new funding into high growth enterprises.

SMEs get \$29.4 million in funding

Small businesses have been given funding to help them in becoming competitive in vying for government tenders. This is great news for start-ups and businesses looking to secure government contracts. Being competitive and competing against big business has always been an issue for start-ups. If the government sticks to this promise, this would be the biggest (although not much) win for start-ups from this budget.

Budget lowlights

Increase in business name fees: While only minor, this will still add to the cost of starting a business.

Preventing 'dividend washing' from July 1, 2013: The Government proposes to close a taxation loophole that enables certain sophisticated investors to engage in 'dividend washing' and effectively trade franking credits.

Closing tax loophole to raise \$4 billion: To me this has always been a focus of the ATO and the government. I do not see the raising of \$4 billion dollars from this measure. I actually think the administration of this will cost more than the funding, which was the same as the mining tax.

Corporate businesses were big losers, with the following measures:

- Anti-profit shifting measures, in particular the operation of the thin capitalisation rules;
- Restructuring arrangements which have a profit manipulation intent; and
- Reducing the tax concessions available for depreciating assets used in exploration activities.
- The ATO gets \$68 million for a task force to target trust misuse; it was also given \$77.8 million to increase its data matching program.
- Mining rights and information excluded from immediate exploration deduction.
- Corporate tax entities with turnover of more than \$1 billion will still move to monthly PAYG instalments from January 1, 2014.
- Corporate tax entities with turnover of \$100 million or more will still move to monthly PAYG instalments from January 1, 2015.
- Corporate tax entities with turnover of \$20 million or more, and all other entities in the PAYG instalment system with turnover of \$1 billion or more, will move to monthly PAYG instalments from January 1, 2016,
- All other entities in the PAYG instalment system with turnover of \$20 million or more will move to monthly PAYG instalments from 1 January 2017.
- Further clarification on proposed additional 15% tax on concessional contribution for high income earners –no major changes, just minor amendments in the way to manage and calculate.
- Deferral to July 1, 2015 for personal tax cuts.

All in all, this budget looks to be one of the worst I have personally seen over the years. Given Labor's last attempt and track record to raise revenues ended in a \$19.8 billion deficit, I'm not feeling confident that anything good will come from this.

Sit tight for the Coalition's response.