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Business tax breaks put SMEs at risk – 10X East Adelaide

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Dangling of a fat tax carrot to business owners to stimulate the economy may actually be having a negative impact on small business, warns 10X East Adelaide Director, Christopher East.

Christopher says the Small Business Tax Break, which provides an incentive for small business owners to invest in eligible assets through a 50% tax deduction, has caused inefficient spending.

"What seemed like a lucrative incentive for small business owners could actually be a misleading lure that encouraged some small business owners to buy assets they couldn't afford or that would be much more wisely spent on marketing activities to generate customers," Christopher says.

"The tax break applied only to tangible, depreciable assets like cars, computers and hardware, laptops, smartphones, and furniture: in other words, expensive items that businesses don't necessarily need for growth.

"Unfortunately, many businesses jumped at the opportunity, as evident in the sudden resurgence of the previously-failing car industry, which experienced an 11.3% growth in commercial vehicle sales after the introduction of the 50% allowance.

"The thousands of dollars that some business owners have spent on cars and computers with the allowance would have been more effectively spent on production and marketing-related activities, which help attract customers and contribute to business growth.

"Small business owners shouldn't assume all government initiatives are in their best interests. Although this increased spending benefits the economy, it's ultimately a knee-jerk reaction that has encouraged hasty spending, and does not give businesses any real cash advantage in the end."



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