

Director
Small Business Tax Unit
Treasury
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By email: SBEI@treasury.gov.au

To whom this may concern,

CONSULTATION - SMALL BUSINESS ENERGY INCENTIVE

The Mortgage and Finance Association of Australia (**MFAA**) welcomes the opportunity to make a submission on the proposed Small Business Energy Incentive (**SBEI**).

As context to this submission, the MFAA is Australia's leading professional association for the mortgage and finance broking industry with over 14,500 members. Our members include mortgage and finance brokers, aggregators, lenders, mortgage managers, mortgage insurers and other suppliers to the mortgage and finance broking industry.

Brokers play a critical role in intermediated lending, providing access to credit and promoting choice in both consumer and business finance. Brokers facilitate more than two thirds of all new residential home loans¹ and approximately four out of ten small business loans² in Australia. Importantly for this submission, brokers are critical to supporting the nation to transition to net zero by supporting their customers to access green finance options for their home or for their business.

The MFAA's role, as an industry association, is to provide leadership and to represent its members' views. We do this through engagement with governments, financial regulators and other key stakeholders on issues that are important to our members and their customers. This includes advocating for balanced legislation, policy and regulation and encouraging policies that foster competition and improve access to credit products and credit assistance for all Australians.

OUR SUBMISSION

The MFAA welcomes the introduction of the SBEI, as it will support small businesses during these challenging economic circumstances.

As context for this submission, the majority of our members own or work in small businesses – 95% of our members are in businesses of ten or less brokers.³ Small business owners are facing continued pressures on their business as a result of the combination of an increase in the cost of living, an inflationary environment and a weakening in economic performance. Specifically, the

¹ [MFAA Industry Intelligence Service Report 15th Edition](#) pg 4

² Productivity Commission research paper [Small business access to finance: The evolving lending market](#) pg 44

³ [MFAA Industry Intelligence Service Report 15th Edition](#) pg 36

broking industry has experienced a decrease in revenue reflective of the slowdown in housing growth and a decline in house prices reflective of the increasing interest rate environment.⁴

A key strategic priority of the MFAA is to support the sustainable and timely transition to net-zero emissions through advocating for industry initiatives and commitments that encourage green finance.

Additionally, improving overall energy efficiency and as well as replacing fossil fuel-powered appliances with those powered by electricity is vital as part of the overall push towards net zero emissions.

Mortgage and finance brokers, our members, are well placed to support the nation's commitment to reducing greenhouse gas emissions and to transition to net zero by 2050 – this is through having conversations with their clients about available green products in market when assisting them with finance options. By supporting borrowers to access green loans and sustainable finance products including for example the funding of clean energy products such as energy efficient home improvements and low-emissions vehicles, we see brokers playing a critical part in the economic transition to net zero.

The Bill provides small businesses with an aggregated annual turnover of less than \$50 million to access a deduction of up to 20 percent of the cost of certain new assets or improvements to existing assets to support electrification or more efficient energy use. This is a new tax incentive for small businesses and the maximum deduction available for each small business is \$20 000 for the financial year ending 30 June 2024. The policy intent is to help ensure that small businesses share in the benefits and opportunities of the energy transition that is now underway.

While we support the overall design and policy intent of the deduction, we note that certain assets and improvements are not eligible for the deduction. These assets and improvements include motor vehicles. We recommend that the scope of the SBEI be broadened to include motor vehicles to allow for low and zero-emission vehicles to be eligible for this incentive. Small businesses are often based in the outer suburbs and regions of Australia and are inherently more reliant on their cars than those who work for larger enterprises, who may have centralised facilities or offices in locations with good access to public transport.

This is particularly the case for mortgage brokers who are often on the road visiting clients to support them through their home loan journey. While we acknowledge the fringe benefit tax exemption and certain state-based stamp duty exemptions and rebates for electric vehicles, the former is complex for small businesses to administer as these are subject to certain requirements being met and the latter is disparate across all Australian states and territories. This leads to an environment with significant confusion and complexity for Australian small businesses navigating the purchase of their first EV.

It is also worth noting that transport represents 19 percent of Australia's carbon emissions, and Australia's electric vehicle (EV) uptake continues to lag behind other comparable economies.⁵ One of the key objectives in the Federal Government's recently released *National Electric Vehicle Strategy* is increasing demand for electric vehicles; we believe that amending the SBEI to include EVs and zero-emission vehicles will help achieve this objective. We also believe that there is scope for low emission vehicles to be included such as plug-in hybrid electric vehicles, as these offer significantly lower tailpipe emissions than conventional hybrids or internal combustion engines.

Lastly, we also recommend the Australian Tax Office publish clear guidance for small business owners on the availability of the SBEI, a non-exhaustive list of examples of assets and improvements that would be eligible for the SBEI as well as clear requirements on the eligibility requirements in claiming the SBEI.

⁴ MFAA Quarterly Market Share 31 May 2023 recorded a 10.8 percentage point decrease in settlement volumes year on year to March 2022.

⁵ [National Electric Vehicle Strategy](#) pg. vi, 7, 8

The MFAA extends its thanks to Treasury for the opportunity to provide this submission. If you require further information, please do not hesitate to contact me at anja.pannek@mfaa.com.au or Naveen Ahluwalia, Head of Policy and Legal, at naveen.ahluwalia@mfaa.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Anja Pannek', with a small flourish at the end.

Anja Pannek
CEO
Mortgage & Finance Association of Australia