



**MASTER BUILDERS**  
A U S T R A L I A

Director,  
Tax Administration Unit,  
Individuals and Indirect Tax Unit,  
Treasury,  
Langton Crescent,  
Parkes ACT 2600

Dear Director,

**Re: Consultation on extending the power of the AAT with respect to ATO debt recovery action**

We appreciate the opportunity to partake in the consultation with respect to the proposed legislative change.

Master Builders Australia is broadly supportive of the proposed amendments.

Australia's building and construction industry is overwhelmingly made up of small businesses. Of the 410,700 building and construction businesses in existence across Australia (as at 30 June 2021), the majority (56.5 per cent) do not have any employees at all. The vast bulk of construction businesses (98.6 per cent) have fewer than 20 employees.

In addition to their small size, the financial resources of building and construction businesses tend to be quite limited. For example, well over one half (58.5 per cent) of businesses in our industry turn over less than \$200,000 annually. About 1 in 5 (20.9 per cent) trade on yearly revenues of less than \$50,000. When it comes to financing investment, Australia's 400,000 small construction companies typically resort to using the home of its owners as security for the bank loans used to finance the operations of the business. This means that the fate of the household is intrinsically bound up in the health of the family business.

While all businesses in the building and construction industry have an obligation to fully meet their tax obligations in a timely fashion, there are situations in which the ATO's approach to enforcing tax debts could trigger the destruction of viable businesses through no fault of their own.

It is also important to stress that even though much of the construction industry has benefitted from the boost provided by the HomeBuilder scheme announced in June 2020, it does not

necessarily follow that cashflow is favourable for all in our industry at the moment. Over the past six months, there has been an intensification of some difficulties in the business environment. These include:

- Significant delays in the delivery of products and materials;
- Price spikes in the markets for timber, steel and other key building products;
- Shortages in the market for key trades like carpenters, bricklayers and plasterers; and
- Disruption arising from the closure of building and construction sites as part of economy-wide lockdowns.

This combination of factors has made the logistics of undertaking building work much more challenging. The cashflow situation of many construction businesses is often very sensitive to relatively small changes in business conditions, particularly the timing of payments in and payments out. The recent supply chain challenges have skewed the cashflows of some businesses with the result that their liquidity has seriously deteriorated and their viability is under threat.

In current circumstances, greater flexibility around the timing and staging of monies owed by businesses to the ATO could mean the difference between their survival or permanent closure. It would be particularly unfortunate if a viable business were to close or become seriously compromised as a result of the ATO enforcing an erroneous tax calculation. That is why it is important that both time and leniency is offered to those building and construction businesses wishing to contest ATO rulings. Master Builders Australia notes that the intention of these proposed amendments to the *Taxation Administration Act 1953* is to offer a wider suite of options to businesses in their dealings with the ATO and this is the basis for our support. However, we caution that implementation mechanisms need to ensure that the intent of the proposed changes translates into real improvement on the ground. We therefore urge the federal government to make also make available the resources to monitor and enforce the proposed changes.

It is also important that the proposed new set of tools are genuinely accessible to the businesses which most need them. As detailed above, the building and construction industry is effectively a very large collection of very small businesses. Most of these are very limited with respect to resources such as cash, time and employees. To be effective, the new appeal mechanisms need to be of minimal financial cost from the point of view of the businesses accessing them. These new tools must also be reasonable in terms of the amount of time and human effort taken up. Unlike major companies, small businesses lack the dedicated departments, units and personnel required to effectively interact with large organisations like the ATO.



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We thank you for the opportunity to provide this input. Should you have any questions or would like further information please contact Shane Garrett, Chief Economist, at [shane@masterbuilders.com.au](mailto:shane@masterbuilders.com.au) or by phone on 0450 783 603.

Kind regards

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Master Builders Australia



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## About Master Builders Australia

Master Builders is the nation's peak building and construction industry association. We were established in 1890 through the federation of the Master Builders State and Territory Associations. Over our 130-year history we have come to represent over 32,000 businesses nationwide and are the only association representing all three sectors of the construction industry – residential, commercial and engineering/civil.



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Number of building and construction businesses by employee headcount as at 30 June 2021

	Australia	New South Wales	Victoria	Queensland	South Australia	Western Australia	Tasmania	Northern Territory	Australian Capital Territory
<b>Total number of building and construction businesses - 30 June 2021</b>	<b>410,763</b>	<b>137,951</b>	<b>113,857</b>	<b>79,233</b>	<b>24,197</b>	<b>39,624</b>	<b>6,873</b>	<b>2,878</b>	<b>6,150</b>
No employees	232,111	70,139	68,594	43,960	15,811	24,856	3,937	1,527	3,287
Between 1 and 19 employees	172,925	66,074	43,852	34,037	8,037	14,073	2,832	1,262	2,758
Between 20 and 199 employees	5,519	1,662	1,358	1,215	340	649	101	89	105
200 employees or more	208	76	53	21	9	46	3	0	0
<i>Number of small businesses (defined as those with less than 20 employees)</i>	<b>405,036</b>	136,213	112,446	77,997	23,848	38,929	6,769	2,789	6,045
<i>Small businesses as a proportion of total (%)</i>	<b>98.6%</b>	98.7%	98.8%	98.4%	98.6%	98.2%	98.5%	96.9%	98.3%
<i>Non-employing businesses are a proportion of total (%)</i>	<b>56.5%</b>	50.8%	60.2%	55.5%	65.3%	62.7%	57.3%	53.1%	53.4%
<b>State/territory share of building/construction businesses</b>	<b>100.0%</b>	33.6%	27.7%	19.3%	5.9%	9.6%	1.7%	0.7%	1.5%

Source: Master Builders Australia analysis of ABS Counts of Australian Businesses, including Entries and Exits (8165.0)

Breakdown of building and construction businesses by annual turnover as at 30 June 2021

	Australia	New South Wales	Victoria	Queensland	South Australia	Western Australia	Tasmania	Northern Territory	Australian Capital Territory
<b>Total number of building and construction businesses - 30 June 2021</b>	<b>410,763</b>	<b>137,916</b>	<b>113,889</b>	<b>79,191</b>	<b>24,185</b>	<b>39,668</b>	<b>6,876</b>	<b>2,876</b>	<b>6,162</b>
<b>Annual turnover range:</b>									
Less than \$50,000	85,974	27,525	25,899	16,312	4,691	8,645	1,215	495	1,192
\$50,000 to less than \$200,000	154,278	52,369	42,316	29,032	9,700	15,347	2,519	967	2,028
\$200,000 to less than \$2 million	142,037	48,554	37,828	28,310	8,299	12,959	2,679	1,110	2,298
\$2 million to less than \$5 million	17,045	5,681	4,618	3,418	943	1,570	308	165	342
\$5 million to less than \$10 million	5,854	1,922	1,641	1,138	300	549	75	90	139
\$10 million or more	5,575	1,865	1,587	981	252	598	80	49	163
Very low turnover businesses' share of total (%) [annual turnover below \$50,000]	20.9%	20.0%	22.7%	20.6%	19.4%	21.8%	17.7%	17.2%	19.3%
Low turnover businesses' share of total (%) [annual turnover below \$200,000]	58.5%	57.9%	59.9%	57.3%	59.5%	60.5%	54.3%	50.8%	52.3%
High turnover businesses' share of total (%) [annual turnover at least \$10 million]	1.4%	1.4%	1.4%	1.2%	1.0%	1.5%	1.2%	1.7%	2.6%

Source: Master Builders Australia analysis of ABS Counts of Australian Businesses, including Entries and Exits (8165.0)

Overview of construction employment by state and territory - November 2021

	Australia	New South Wales	Victoria	Queensland	South Australia	Western Australia	Tasmania	Northern Territory	Australian Capital Territory
	Unadjusted	Unadjusted	Unadjusted	Unadjusted	Unadjusted	Unadjusted	Unadjusted	Unadjusted	Unadjusted
Total construction employment	1,145,377	341,656	320,886	234,190	77,201	128,978	22,425	8,397	11,643
Full-time construction employment	967,373	285,619	271,994	201,654	66,830	106,229	17,772	7,028	10,248
Part-time construction employment	178,003	56,038	48,892	32,535	10,371	22,749	4,654	1,369	1,395
Construction industry's share of total employment (%)	8.7%	8.3%	9.3%	8.8%	8.7%	8.9%	8.6%	6.4%	5.0%
Construction industry share of full-time employment (%)	10.7%	9.8%	11.6%	11.1%	11.5%	10.8%	10.8%	6.9%	5.9%
Full-time jobs as a share of total construction employment (%)	84.5%	83.6%	84.8%	86.1%	86.6%	82.4%	79.2%	83.7%	88.0%
Change in construction employment - year to November 2021	-28,202	-58,364	+19,046	+316	+1,443	+11,358	+2,603	-502	-4,102
Percentage change in construction employment over year to November 2021	-2.4%	-14.6%	+6.3%	+0.1%	+1.9%	+9.7%	+13.1%	-5.6%	-26.1%
State/territory share of total construction employment - November 2021	100.0%	29.8%	28.0%	20.4%	6.7%	11.3%	2.0%	0.7%	1.0%

Source: Master Builders Australia analysis of ABS Labour Force, Australia, Detailed Quarterly (6291.0.55.003) (Table EQ06)

Growth in cost of key building materials over the year to September 2021 (% change)

