

Submission to the Tax White Paper Task Force  
Re: Think Tax Discussion Paper



**The Voice for  
Australia's exporters**

**Export Council of Australia  
(Australian Institute of Export)**

## Executive Summary

It is requested that the Task Force consider inclusion of the services sector in the list of resources that are shown in table 8.2 of Section 50-40 of the ITAA 1997.

The reasoning included in this paper is based on the broadening of the Australian economy to one that fosters and exploits the intellectual capital of its services sector.

Examples of successful service export companies can be found as part of the National Australian Export Awards, which has been recognising the success of Australian service exports for some time. [Click here](#) to access a full list of companies.

These companies are creating employment within Australia at all levels, are generating export revenue and helping to capitalise on Australia's knowledge economy.

## Submission

The Tax Force has requested submission from the not-for-profit sector in answer to the following questions.

### Discussion questions:

47. Are the current tax arrangements for the NFP sector appropriate? Why or why not?
48. To what extent do the tax arrangements for the NFP sector raise particular concerns about competitive advantage compared to the tax arrangements for for-profit organisations?
49. What, if any, administrative arrangements could be simplified that would result in similar outcomes, but with reduced compliance costs?
50. What, if any, changes could be made to the current tax arrangements for the NFP sector that would enable the sector to deliver benefits to the Australian community more efficiently or effectively?

The ECA submission is focussed on Question 50 in relation to a structural barrier that exists in promoting the export of the services sector in Australia.

## Background

The ECA is a not-for-profit company limited by guarantee established to support Australian businesses to become and sustain international competitiveness. It has a membership base which is predominantly export focussed businesses in the SME sector.

### The Export Council of Australia aims to:

- Equip Australian business with the skills and capabilities required to effectively and efficiently conduct profitable international trade.
- Make representations to and on behalf of exporters to key decision makers.
- Undertake research to identify and quantify the issues affecting the development of profitable international trade activity by Australian companies.
- Interface with and provide support to sector specific associations and councils representing business engaged in international trade.
- Deliver activities which provide a forum for the exchange of ideas and knowledge, and rewards excellence in export.

The ECA benefits from income tax exemption under section 50-1 of the Income Tax Assessment Act of 1997 (ITAA 1997) on the basis that it is a resources development organisation as described in Item 8.2 of Section 50-40 of the ITAA 1997. This exemption is supported by a Private Ruling which has been obtained and renewed each three years. Our current Private Ruling expires on 30 June 2018.

In obtaining this ruling, it is pointed out that in the decision on the ruling that it is dependent on the ECA's activities being principally:

"A society or association established to promote the development of the following resources in Australia:

- i. Agricultural resources;
- ii. Horticultural resources;
- iii. Industrial resources;
- iv. Manufacturing resources;
- v. Pastoral resources
- vi. Viticultural resources;
- vii. Aquacultural resources;
- viii. Fishing resources. "

The ITAA 1997 is necessarily specific in its designation of tax-exempt entities. In addition to the promotion of resources as stated above, other exemptions exist for similar organisations that promote development of industries such as:

- i. Aviation and tourism (Sec 50-40 Schedule 8.1)
- ii. Australian ICT sector (Sec 50-40 Schedule 8.3)
- iii. Animal racing, art, a game or sport, literature or music (Sec 50-45 Schedule 9.1)
- iv. Musical society (Sec 50-45 Schedule 9.2)

Entities that promote exports generated by companies in the Services Sector are not eligible for exemption under any specific provision.

As the Australian services sector grows it will seek to expand internationally as a natural business progression. Indeed many existing industrial businesses and manufacturers have evolved where the services portion of the production is growing and sometimes exceeds the product related value. Examples are motor vehicle manufacturers where the design team provide input to the local manufacture of vehicles, but also provide global services in relation to the industrial design for either foreign parent companies or independent entities.

The OECD has indicated that expansion of trade in services is essential for the developing world in the same way as it is for the major economies (POLICY PRIORITIES FOR INTERNATIONAL TRADE AND JOBS © OECD 2012). The report described trade in services for the developing world as needed to continue on the path of rapid development. For middle income countries, services are needed both as an engine of job creation in its own right and as a facilitator of job creation in other sectors. The developed world tends to have a comparative advantage in business services and needs to export more to grow (ibid p176).

Other publications also recognise that governments in the major economies provide trade development support that includes support for the services sector companies. Refer to ECA's publication – Advancing Trade Development which provides a summary of government trade promotion in 12 advanced economies.

With Australia's strong university and broader education sector, support for the intellectual capital of our nation can be achieved through a growing services sector.

Many Australian Government schemes support the services sector through programmes such as Advancing Commercialisation Grants, Export Awards Schemes, Export Market Development Grants and the Research and Development tax concessions.

Promotion of services has been in the forefront of government to government interaction in recent times. Most notably has been Australia's lead in the Trade in Services Agreement at the WTO. In addition to this, Australia has achieved significant gains in the recent FTA under ChAFTA in relation to the services trade internationally.

The ability of Australia's services sector to project internationally would be enhanced though access to organisations such as ECA to provide education and other skills development focussed on export. In this, ECA is the predominant provider of these services to the resources sectors noted above.

Increasingly ECA is being asked to provide Skills and Knowledge Training to the services sector around export readiness and international competitiveness.

**The existing structure of the ITAA 1997 and its restriction to promotion of defined resources sectors limits ECA's ability to provide comprehensive services to these important companies and for those companies to access this essential training.**

This has created an artificial barrier between those listed resource industries and the services sector's ability to access high quality export related training and support.

As our economy matures further into a services or 'smart economy' model, this divide will hamper businesses, particularly SME, wishing to undertake profitable and sustainable export growth.

# About the Export Council of Australia

## Export Council of Australia

The Export Council of Australia (ECA) is positioned to become the peak export body in Australia with a particular focus on the SME sector. The ECA is the next step in the evolution of the Australian Institute of Export (AIE) which, for over 50 years, has provided practical education & training, advice and advocacy to the Australian export community.

Owned by its members and steered by a Board and National Council representing Australia's key business sectors, the ECA is a not-for-profit organisation that has the development of Australia's resources via the promotion of Australian business in international markets as its primary goal. The ECA represents all exporters: large, medium and small.

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Under the respected name of the Australian Institute of Export, the ECA will continue to provide first class skills development programs for exporters, importers, service providers and especially those new to international trade who need the process demystified.

## Australian Institute of Export

Established in 1957, the Australian Institute of Export (AIE), Registered Training Organisation (RTO), is Australia's leading provider of education and training provider in international trade. Through practical education and training, AIE has assisted many thousands of companies to develop and grow their business and international trade skills. The courses currently on offer include:

- Export Procedures & Documentation;
- Import Procedures & Documentation;
- Understanding Documentary Credits;
- Online import and export courses;
- International Trade Law & IP;
- Distance delivered accredited international trade courses:
  - Advanced Diploma in International Business Management;
  - Graduate Certificate in International Business Management;
  - Graduate Diploma in International Business Management.

The AIE also publishes three international trade publications:

- The Australian Export Handbook;
- The Australian Import Handbook;
- International Trade Procedures Guidelines.