Budget Considerations for Australia in a New World Order

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I. Background

The 2021-22 Budget is an important budget for Australia in a new world order. This new world order is mainly created by:

a. Digital Economy Developments Worldwide

b. Covid-19 Pandemic

c. Brexit – the Independence of UK from EU Rules and Regulations

Due to such causes, the previous economic agenda that may have well been developed over the last few decades, needs to be re-assessed and re-aligned to the agenda of this new world. Further, the characteristics of this world order can be defined by:

a. Fast paced commercial transactions across borders

b. Stricter checks and developing regulations on external sources, including people when landing in Australia

c. Re-evaluation of existing and future regulations of the UK, to which Australian businesses would be subjected

Accordingly, some adjustments would be required to ensure that Australia is not left behind in the latest economic dynamics of the world.

II. Current Obstacles

The current obstacles that have been faced by Australia, in the issuing and implementation of the budget maybe defined as:

a. Unknown regulations in the digital economy

b. Covid-19 Checks and Vaccine development timeline

c. Future relationship of the UK with EU, as pertaining to Australian businesses

III. Budget Policy Requirements

Accordingly, to stabilise and upgrade the working Australian economy to such requirements in the new world order, would require significant financial and economic assistance to businesses to adjust accordingly. Indeed, better business environment is expected for Australia from such world re-order, and businesses should need the minimal but critical support in order to face the economic conditions with confidence and financial abilities.

III-a. Align Financial Benefits with Lawful Digitalization

Unknown regulations and digital abilities that can be used legally in Australia, has been a long standing speculation, ultimately giving rise to a black economy, filled with persons and businesses that simply undertake criminal activities. Australia and Australians, are currently in a state where there is much dilemma and confusion in using digital methods, from retail to healthcare, as the source and further use and implications for Australians from such engagements, is indeed fraught with personal and economic dangers.

Hence, the budget for 2021-22 should encourage the economy to upgrade and align its digital technologies with latest digital regulations. Simultaneously, businesses who do not simply make any effort to align their business processes and practices with Australian regulations, should be discouraged financially with the same impetus.

It is suggested that a tax benefit to upgrade, apply and align business processes and practices that use latest digital technologies, according to clear Australian regulations, be provided. This would encourage businesses to startup new digital innovation to streamline their processes, whilst not operating in a high-risk environment, and that would also provide for creating new jobs for such projects. All businesses large and small can derive a particular benefit by:

i. Reducing Tax Payable expenses

ii. Sourcing such expense reduction in regulatory capital projects for digitalization

iii. Contribute to the developing digital economy agenda

It is suggested that up to 5% of the total Tax Payable by businesses, be granted benefits when businesses undertake such Projects for regulatory digital upgrades and alignment.

Simultaneously, the high-risk that the Tax Office faces from high-risk operating environment of businesses due to digitalization, is reduced, adding to the net benefit that the Tax Office would gain from such economic upgrades of the Australian economy.

III-b. Covid-19 Risk Tax Overhead

Australia and Australians have indeed suffered immensely due to the Covid-19 Pandemic that has been sourced from foreign locations, mainly China. Due to no fault of their own, businesses had to shut down and people had to go without their regular employment, meaning the lifestyle and economic benefits that they have rightfully acquired, is arrested and under a lockdown. Steps should be taken at all levels of the Australian administration to ensure such Pandemic does not occur in Australia.

For this budget, businesses would be provided special incentive to be Covid compliant, where a business would obtain additional tax incentives, when they include specific steps to deter and mitigate any environmental and health issues that may arise such as the Covid-19 Pandemic.

Indeed, a business that regularly imports its goods and products from China, would be at a higher risk of spreading the disease, than a business who completely sources its products and raw materials from within Australia. This creates an unequal opportunity for such Australian businesses who do care and contribute to the Australian environment, and ensure that pandemic health risks are not inherited when conducting business in Australia.

Accordingly, a tax benefit of up to 3% should be granted to businesses who comply with such health requirements, when they do not import any products, goods or raw materials, from such foreign sources that have a known risk of converting a health pandemic.

Simultaneously, an added 'Pandemic Risk Tax Overhead' of up to 15% should be applied to businesses who import products, goods and raw materials from high-risk countries, as a part of their business process.

It is expected that by such measures, businesses who operate using Australian products, goods and raw materials would improve their business. Whilst, businesses who model their process on completely importing from foreign and high-risk locations, are discouraged and penalised for creating a Pandemic Risk in Australia, with its financial re-percussions.

III-d. Encourage Businesses to Participate both in UK and EU

Pre-Brexit, businesses had to operate in any one location in the European Union, to then be applicable as an European business, by setting up a branch, subsidary or even by virtue of exporting goods and services to the EU market. However, post-Brexit, the UK exit from the EU common market and its regulatory principles, indeed creates two markets for Australian businesses.

Whereas previously, the economic impetus of Australian business exporting to EU ex-UK or otherwise, was taken to be a single market transaction, now, with two defined markets of UK as well as EU, businesses have the opportunity to export both to the UK as well as the EU, correspondingly increasing their revenues.

However, post-Brexit some confusion remains as to a business decision to export to the continent of Europe, and the best profitable path to adopt for such transactions, whether ex-UK into EU, or ex-EU into the UK. From an independent Australian perspective, there holds no discrimination for business and market activities between Australia and the UK and EU respectively, and simultaneously. Indeed, a particular business that exports to the continent of Europe should be encouraged to export to both markets simultaneously, as opposed to having to decide an ex- path for supplying its goods and services.

Accordingly, in the Budget 2021-22, businesses who export to the European continent, would be provided subsidies in the form of expense deduction, for setting up business operations in both UK and the EU, in the location where it had not been previously operating.

Hence, if a business had been operating in the EU market ex-UK, the additional expenses that the business would now have to incur to initially set-up a business operation in the EU, would be an additional expense, that should be deductible for tax purposes, and vice-versa.

IV. Summary

In summary the Budget 2021-22 should address some urgent issues in the world re-order, under three agendas.

Agenda A – Digital Transformation Incentive

Provide up to 5% Tax Payable Deductions for businesses who integrate and upgrade their existing business systems according to Australian digital regulations.

Agenda B – Covid-19 Risk Tax Overhead

Provide up to 3% Tax Payable Deductions for businesses who do not import products, goods and raw materials from Health High-Risk countries.

Apply up to 15% Tax Overhead for businesses who import products, goods and raw materials from Health High-Risk countries.

Agenda C – Dual EU and UK Access Incentives

Businesses who had been exporting to the European Continent, using either the ex-UK or ex-EU option, would now be able to claim expense deductions to setup initial operations in either of the locations from where the business had not been previously operations.