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MGI Australasia Submission to the Inquiry into Family Business

1. the definition of 'family business';
2. the availability and reliability of information and statistics about family business in Australia;
3. the contribution of family business to the Australian economy, in terms of financial, social, employment, innovation and sustainability outcomes;
4. structural, cultural, organisational, technological, geographical and governance challenges facing family business;
5. the role of family trusts in facilitating family business;
6. access to and the cost of finance and insurance for family business;
7. family business responses to the challenges of the GFC and post GFC resilience

Background

MGI Australasia Ltd is a national network of accounting firms with offices in both Australia and New Zealand. There are 10 offices within Australia which, whilst providing a full range of accounting and associated services, is specifically focused on the provision of services to the family and private business sector.

MGI is rated 23rd on BRW's listing of the "Top 100 Accounting Firms" *(BRW Top 100 Accounting Firms, October 2011)*. In the same survey MGI is listed as 6th on the list of "Top ten fastest growing firms".

The Chair of MGI, Sue Prestney, is a widely respected authority on family business, who is also the spokesperson for the Institute of Chartered Accountants on SME's, as well as being a widely published author on family business. Her book "Family Business Succession Guide" *(Thomson Reuters, August 2010. ISBN: 9780455226958)* is widely considered to be the premier Australian publication on this subject.

Since 2003 MGI has commissioned Professor Kosmas Smyrnios and Mr. Lucio Dana of RMIT University, Melbourne to undertake surveys into family and private business. To date RMIT has published 3 editions of "The MGI Australian Family and Private Business Survey" (www.mgiaust-survey.com), the first in 2003 and the most recent in 2010. A further edition is currently being researched for publication in early 2013. These surveys are widely respected both in the academic and financial sectors.

Collectively the 10 offices of MGI provide accounting and business advisory services to over 4,000 family businesses encompassing the entire range of industry sectors.

Family Business in Australia

"The MGI Australian Family and Private Business Survey 2010" produced a number of important findings including that 97% of businesses in Australia are privately owned and employ the majority of the Australian workforce. The similar survey in 2006 found that two thirds of all businesses in Australia are family owned.

Family businesses are therefore a significant force in the Australian economy, which, in our opinion, are considerably under represented in Government planning and regulation.

Terms of Reference

1. Definition of family business

There is no universal definition of what constitutes a family business.

MGI considers a business to be a family business when it involves two or more related individuals who work together (or are otherwise associated) in a commercial enterprise that is controlled by one or more of them.

This opinion is shared by Professor K. X. Smyrnios and Mr. L Dana, of RMIT University, Melbourne and it is the definition that they have used as the basis for determining family businesses for the MGI Australian Family and Private Business Survey.

Recommendation

That the Inquiry adopts the following as the definition of a family business:

- **A business is a family business when it involves two or more related individuals who work together (or are otherwise associated) in a commercial enterprise that is controlled by one or more of them.**

2. The availability and reliability of information and statistics about family business in Australia

RMIT University has undertaken 7 surveys dating back to 1995, the last three of which have been commissioned and funded by MGI Australia and are published as MGI Australian Family and Private Business Survey. To our knowledge these studies represent the most comprehensive longitudinal study of family businesses available in Australia and provide reliable data concerning the changing face and the nature of family businesses over almost 2 decades. All 7 surveys details may be found at www.mgiaust-survey.com

There have been a number of other and similar surveys conducted over the last 10 years including those commissioned by Family Business Australia (FBA) and undertaken by Deakin University and the Australian Centre for Family Business. These surveys have researched various aspects of family and private business and provide important information. However, the data has been extracted from a limited sample size and therefore could be considered as not significantly reliable.

The 2010 MGI survey used a random sample of 5,000 Australian businesses based on location by state, industry, number of employees and sales turnover obtained in 2009 from Dun and Bradstreet who randomly selected entities in proportions found in the Australian population of employing small-to-medium enterprises (SME's).

Additional selection criteria included names with the words "bros", "brothers", "son", or "daughter"; multiple directors of the business with the same surname; shareholders with the same surname owning 50% or more of the business. Public sector, social services, and micro businesses were excluded, as were companies whose revenues were less than $2 million.

In conjunction with MGI the researchers developed a 113 item questionnaire. Data was analysed using Statistical Package for Social Sciences (SPSS) for Windows.

In our opinion the MGI/RMIT survey provides a reliable source of information in respect of family and private businesses and therefore could form the basis for more comprehensive surveys to be undertaken in conjunction with Government agencies.

We are of the opinion that joint private sector/Government funded research conducted in conjunction with organisations vitally concerned with the successful operation of family businesses will provide superior and more useful information than data collected in a more general manner by the Australian Bureau of Statistics.

Recommendation

That the Inquiry recommends:

- **that the Australian Government via an agency such as the Australian Bureau of Statistics provides funding to recognised research institutions, including, but not limited to, RMIT University on a cooperative basis to enable the regular collection of data that will provide comprehensive detail concerning the management and nature of Australian family businesses.**

  By way of explanation we define "cooperative basis" as a matching basis of funding whereby the Australian Government matches the costs of the researcher on a dollar for dollar or similar basis.

3. The contribution of family business to the Australian economy, in terms of financial, social, employment, innovation and sustainability outcomes.

Financial

The MGI Australian Family and Private Business Surveys of 2006 and 2010 concluded that:

- The estimated wealth of Australian family firms increased from $3.6 trillion in 2003 to $4.3 trillion in 2006. 44% of respondents to the 2010 survey compared to 53% in the 2006 survey indicated that they were planning to sell their businesses. The reason generally given for the sharp decline in owners intending to sell was that business values had declined as a result of the Global Financial Crisis ("the GFC").
- The average turnover of family firms in 2006 was $12 million. This average relates to firms with turnover of $2 million plus. Anecdotal evidence suggests that there are a significant number of family businesses with a turnover of less than $2 million and therefore the average turnover of all family businesses is likely to be less than $12 million.
- The 2010 survey shows that 49.1% of family firms have been established for less than 25 years and that only 16% have been established for more than 50 years.
- The sales growth of family firms was 16% in the three years 2004 to 2006.

Social

- The 2010 MGI Survey concluded that 36.8% of family businesses engage in philanthropic and charitable activities. We are able to observe from our association with a significant number of family businesses that their impact in these areas is substantial. In dealing with these firms we regularly find that they are often very close to their communities and contribute to many local organisations in a variety of ways including sponsorship, unpaid labour and cash contributions.

Employment

- Not enough is currently known about the total employment in family firms. The 2006 MGI survey showed that around two thirds of all businesses in Australia were family owned. It therefore follows that the family business sector is a significant employer in the Australian economy.
- There appears to be no reliable data to indicate the number of persons employed in family businesses. The MGI 2010 survey found 63.6% of family businesses employed 1-19 employees that 32.2% employed 20-199 employees and only 4.1% employed 200 or more employees. The survey further found that the median number of employees in family businesses is 12.8.

- The 2010 MGI Survey indicates that over a third of family business owners are aged in the 50-59 years bracket and the 2006 survey showed that the average tenure of a family business CEO is 17 years.

Innovation and Sustainability

- We have been unable to find any accurate data that reflects the impacts of family firms on innovation and sustainability. However we regularly observe from our client base that there is a great ability amongst family firms to innovate, generally because they are not so constrained by corporate expectations. Conversely we also find that many family firms are unable to commercialise their innovations due to lack of capital, both internal and external.

4. Structural, cultural, organisational, technological, geographical and governance challenges facing family business

Structure

The 2010 MGI survey found that 80.0% of family businesses are structured as private companies, 12.2% as private trusts, 5.1% as partnerships and 1.2% as public companies.

The 2010 survey further found that in 46.2% of cases ultimate ownership control is consolidated in a husband and wife couple, 24.3% in two or more siblings, 16.7% in one individual and 2.0% in cousins of different sibling branches.

As family businesses progress through the generations the number of shareholders not employed in the business grows. Whilst the number of businesses reaching the third generation or beyond is low (11% according to the 2010 MGI survey), it is still significant. Such businesses, by virtue of their longevity, are often the larger family enterprises. It is such businesses that are often caught by the so-called “50 shareholder rule”.

We note and concur with the objection of Family Business Australia to section 113 of the Corporations Act 2001, which requires corporations with more than 50 non-employed members to become unlisted public companies. This places unnecessary administrative costs on such enterprises.

We also agree with the observation of Family Business Australia that this legislation is unnecessary in that there are adequate remedies already available elsewhere in corporate laws to protect minority shareholders. It is our observation that the current law is able to be easily circumvented by those firms that do not wish to be burdened by the cost of a public company and therefore the provision has little practical use.

It is our view that a significant increase in the minimum number of shareholders from the current 50 to, say, 100 would remove this unnecessary administrative cost from almost all family enterprises without compromising the rights of minority shareholders. We note that the 2008 Parliamentary Joint Committee on Corporations and Financial Services made such a recommendation, and that this recommendation has not as yet been enacted into law.

Recommendation

That the Inquiry recommends:

- **that section 113 of the Corporations Act 2001 be amended to increase the shareholder threshold to 100.**

Cultural and Governance Challenges

The 2010 MGI Survey made a number of findings in respect of the culture of family enterprises. These included:-

- Almost two thirds of respondents agreed that the ultimate challenge in family businesses is dealing with the additions of work/business-based relationship on top of pre-existing family-based relationships;

- 86% of family enterprises do not have set rules to strengthen interpersonal relationships and manage the expectations of family members;
- 72.1% do not hold regular family meetings;
- 57.7% of family businesses do not have formal boards of directors and only 45.6% of these meet at least once a month;
- Males represent 89.3% of family business owners;
- Sons are more than five times more likely to succeed the current CEO than daughters; and
- 58.4% of family business owners do not require family business owners to have outside business experience before joining the family firm.

It is our observation that the structure of family businesses can result in placing substantial extra stress on family members involved in the business as well as resulting in a less than informed and properly trained management team. The resultant reduction in productivity must have a negative impact on the Australian economy as a whole.

We therefore conclude that education of family business owners and family employees is essential. There appears to be few training organisations that specialise or concentrate on education and training for family business members. We observe that the almost solitary and standout provider of training specifically targeted training for family businesses is Family Business Australia.

It is also our observation that families in business are often reluctant to approach more than the statutory minimum number of directors because of the desire to maintain some level of asset protection to the family. We believe this is directly contributing to the lack of formal boards and resulting in less than ideal corporate governance of many family businesses. We understand the need for company directors to be responsible to their stakeholders and the community for their actions. However in a family business we consider that additional persons should be able to act as actual or defacto directors without being subject to all the personal risks applied under the Corporations Law and various other statutes, as long as at least one member of the family in business remains fully liable. This could be achieved through a separate category of director, such as associate director.

Recommendation

That the Inquiry recommends:

- **that the Government actively encourage family business owners to avail themselves of the training activities of organisations providing education in family business management including, but not limited to, Family Business Australia;**
- **that the Government specifically addresses the issue of gender imbalance in family business management and governance by devising programmes to encourage the more active participation of females; and**
- **that the Government establishes a separate class of director to encourage the creation of active boards for family businesses.**

Impediments to succession in family companies

For those family business structured as companies the Employee Share Plan provisions in Division 83A of the Income Tax Assessment Act provide a major impediment to family businesses attracting and retaining potential successors – both from within the family and from outside.

In basic terms the Division operates to tax employees upfront on the value of any discount they are provided on the acquisition of shares. The deferral provisions in the legislation generally have no application in the context of a family business providing discounted shares to a potential successor.

This acts as a deterrent to family businesses providing discounted equity to successors, because its results in tax on a 'benefit' that may take decades to convert into cash. Unlike shares in a public company, shares in a family business are highly illiquid.

According to the 2010 MGI Survey around one third of family business owners believe that the current CEO is likely to be succeeded by a non-family member. The attraction and retention of suitably skilled outside managers is therefore key to the success of that transition. Family businesses are at a great disadvantage competing with large enterprises, which offer discounted equity that can be market traded and/or structured to gain tax deferral.

Attracting and retaining skilled and experienced successors is a critical component in the transitioning of family businesses from their current baby-boomer owner-operators. Providing attractively-priced equity in order to achieve this is currently discouraged by Division 83A of ITAA.

As a result, in our experience, discounted equity generally is not provided by family businesses to key employees. Accordingly tax revenue raised from family business from this measure would currently be insubstantial.

Recommendations

That the Inquiry recommends:

- **that an exemption be inserted into Subdivision 83A-C of ITAA97 to defer the taxing point on the issue of discounted shares to key employees of family businesses until the shares are sold, and extend the maximum shareholding for which deferral applies to 49%; and**
- **that amendments to the CGT value shifting provisions are made to ensure existing family shareholders are not subject to CGT if shares are issued at a discount to key employees in accordance with the deferral provisions recommended in relation to Subdivision 83A-C of ITAA97.**

5. The role of family trusts in facilitating family business

As previously stated, the 2010 MGI survey found that 80.0% of family businesses are structured as private companies and just 12.2% as private trusts, most of which we could presume are family discretionary trusts. At first glance this might give rise to the impression that trusts have a relatively minor role in family business structures.

It is our contention, as experienced family business advisers, that trusts play a much more significant role in the structuring of family enterprises. Whilst there is no definitive data to validate this observation, we can point to substantial anecdotal evidence that supports:

- that a substantial proportion of shareholdings in family businesses are held by family discretionary trusts and
- that regularly “passive” assets associated with the family business, such as land and buildings, are held in family trusts.

The Australian taxation regimes, both State and Federal, are often complex legislation and are not always synchronised across jurisdictions. Federal laws impose taxes on capital gains whilst State laws, in varying degrees, impose substantial stamp duties on the transfer of ownership of businesses and assets.

We note that it was intended that State stamp duties associated with business assets would be abolished as a result of the income sharing agreements with the States following the introduction of the Goods and Services Tax from 1st July 2000. Whilst we accept that there was to be a period of phasing out of these duties it is our opinion that a period of over 12 years is an excessively long phasing out period.

We recognise that the incidence of stamp duties varies from State to State and there is some relief on taxes on capital gains for businesses that meet the “small business” provisions of the Income Tax Assessment Act.

Family businesses, by their very nature, are often transferred from one generation to the next during the lifetime of the original owners. That is an essential element of family businesses. There is, in our opinion, insufficient recognition in our State and Federal laws to facilitate the transfer of assets between family members with the result that such changes can result in substantial stamp duty and capital gains tax costs without there being cash available to meet such costs, which there would have been in the event of a cash sale to a third party.

For the best part of the last 50 years it has generally been recognised amongst family business advisers and taxation consultants that family discretionary trusts can be used to facilitate the transfer of family business from one generation to the next or amongst family members without incurring the stamp duty and capital gains taxes that might otherwise apply.

It is therefore possible for a family business to be able to maintain its capital and grow. The benefit to the national economy from the growth of family enterprises has not, to our knowledge, been the subject of detailed research. It however must be an inevitable result of business growth that there is benefit to economic output.

Family businesses invariably are required by their bankers to provide personal assets as security for business borrowings. Bankers also expect to take substantial security over business assets, both active and passive. Many family businesses risk considerable portions of their wealth by carrying on in business, in some cases the risk can be the entire asset base of the owners.

It is therefore prudent business planning to separate as many of the passive assets used in a business from the actual entity that operates the business. This gives a degree of asset protection in the event that the business should fail. Many otherwise well managed businesses can fail due to factors well beyond their control. The advent of the recent global financial crisis is but one such factor. By carefully separating assets into discretionary family trusts the family is able to provide some degree of asset protection.

We believe that it is timely to dispel the regularly dispensed myths that family trusts are no more than a tax avoidance measure, an observation regularly made by an uninformed media and some members of both the Houses. In our opinion this has resulted in Governments regularly making unwarranted legislative changes to overcome so called taxation minimisation rorts.

We are not unsympathetic to some of the measures introduced by the Federal Government, which they have said are to protect the tax base. One such measure recently enacted was the reduction of the tax-free threshold for minors receiving distributions from family discretionary trusts.

However we do take issue with the changes and measures enacted from 16th December 2009 in respect of Unpaid Present Entitlements owing by Trusts to Private Companies. In our opinion the vast bulk of such unpaid present entitlements represent capital retained within the business structures to fund growth and reduce business risks. By their very nature these entitlements already incur the corporate rate of tax (currently 30%). Businesses conducted through corporations are liable to pay the 30% corporate tax but are not subject to the added administrative and transaction costs imposed on family discretionary trusts by this ill conceived piece of legislation.

The Unpaid Present Entitlements legislation results in only minimal additional income tax revenue whilst at the same time subjecting family discretionary trusts to substantial extra administrative costs.

Recommendation

That the Inquiry recommends:

- **that the measures enacted from 16th December 2009 in respect of Unpaid Present Entitlements owing by Trusts to Private Companies be repealed as a matter of urgency; and**
- **that the Federal Government use its legislative and coercive powers to require all State Governments to remove all stamp duties on the transfers of business assets.**

Tax law impediments to succession planning in trusts

Prior to 31 October 2008, exceptions to CGT events E1 and E2 facilitated the transfer of assets between two trusts with the same terms and beneficiaries without incurring CGT.

This was a very valuable mechanism for family business succession planning, allowing business equity interests to be divided between one or more trusts the control of which could, in the future, be passed to different successors, eg siblings, without the family or the business having to fund a CGT liability. Similarly, the family's passive investment assets could be separated from business interests allowing the future control of the business to be passed to family members involved in management of the business, while the control of passive assets could be passed to family members not involved in the business. This allowed succession to take place without the complications and potentially damaging conflicts that arise from family members sharing control of the business.

With the removal of the exception to CGT events E1 and E2 this facility is no longer available. In our experience the result of this has not been to raise additional CGT revenue, but rather has meant that family members, particularly siblings, have chosen to share control of family discretionary trusts with all the potential for conflict that this entails and the resultant damage that this brings to both business and family.

Recommendation

That the Inquiry recommends:

- **that the exception to CGT events E1 and E2 in relation to the transfer of assets between trusts where the beneficiaries and terms of both trusts are the same be reinstated.**

6. Access to and the cost of finance and insurance for family businesses

Lack of competition between banks

Generally family businesses by their very nature are reluctant to raise capital by sale of equity. The 2006 MGI Survey found that external equity finance was the least favoured source of capital by families in business (12.3% of respondents compared to 19.7% of non-family businesses). Capital for business maintenance and expansion must therefore either be internally generated from retained profits or borrowed externally from principally, but not solely, banks.

The Australian banking market is dominated by the Big 4 of National Bank, ANZ Bank, Commonwealth Bank and Westpac Bank. Whilst the existence of 4 players should in theory lead to substantial competition the reality is that it does not and the offerings of these 4 banks are constantly very similar and rarely substantially different. The 2010 MGI Survey found that over 90% of family businesses bank with one of the Big 4.

The other smaller banks have been regularly acquired by the Big 4 over the last decade so that the remaining smaller banks are ill placed to provide meaningful competition across the full range of products.

By world standards Australian banks are extremely profitable. Large public listed corporations and multi-national companies are the only enterprises in the Australian economy that can extract competitive deals in our banking market. The result of this lack of real competition is that family businesses are incurring substantially higher funding costs than their competitors in other world markets.

Recommendation

That the Inquiry recommends:

- **that the Federal Government initiate measures to improve the competition between banks in the Australian market.**

Capital requirement for family owned agribusinesses

Australia's primary production industry which is largely represented by family owned small and medium sized private enterprises has an enormous opportunity to satisfy strong worldwide agricultural demand in an environment where there are growing supply constraints. This theme is highlighted in the recently released paper "Greener Pastures: The Global Soft Commodity Opportunity for Australia and New Zealand", dated 3 October 2012, prepared by Port Jackson Partners and commissioned by ANZ Bank ("The ANZ Report"). The ANZ Report indicates that Australia stands to capture an additional AUD 0.7 to AUD 1.7 trillion in agricultural exports between now and 2050.

The ANZ Report also identifies various barriers and challenges to the industry in meeting this growing demand and capitalising on the opportunity including:-

- Sourcing capital;
- Attracting skilled labour;
- Accessing land and water;
- Improving supply chains; and
- Focusing research and development.

The ANZ Report estimates that agricultural growth cannot be achieved without the support of both domestic and foreign investors and that around AUD 600 billion in additional capital will be required to generate this growth in Australia. An additional AUD 400 million is estimated to be required to fund succession in the industry.

To attract investment capital, appropriate investment and management structures need to be adopted by farm business. Structures with appropriate levels of management structure, governance and reporting will be required to provide comfort for both domestic and foreign investors.

The ANZ Report suggests that potential structures could include:-

- Agricultural management companies to provide professional management of farm businesses for investors;
- Equity partnerships in which passive investors finance part of the operation alongside the farmer;
- Structures that provide conduits to connect high-performing farmers with investors, facilitating the purchase of farmland funded by investors and managed by farmers; and
- Off-take agreements, whereby investors receive a portion of the output of the farm in return for investment in it.

Equity partnership models which have been established successfully in New Zealand, are present in Australia but are not common. A properly structured equity partnership with appropriate levels of governance will provide comfort for potential investors together with an aligned interest between investors and owner managers.

Recommendation

That the Inquiry recommends:

- **that appropriate incentives and supporting funding should be put in place to enhance capital accessibility. Such incentives and support could include the funding for 'investor ready' programs to assist family businesses implement appropriate governance and reporting structures and systems.**

Other initiatives required to support this agricultural growth opportunity could include:-

- **Steps to create an environment that encourages foreign investment into Australian agriculture while safeguarding national interests;**
- **Focused R & D concessions on agricultural productivity initiatives;**
- **Promotion of agricultural skills through funding for education and skills programs; and**
- **Infrastructure spending to support off-farm and supply chain infrastructure. For example, rail, ports and irrigation systems.**

7. Family business responses to the challenges of the GFC and post GFC resilience

Thirty-six per cent of respondents to "The MGI Australian Family and Private Business Survey 2010" indicated that they had been adversely affected by the the GFC. Around 23% of respondents agreed that funding for business activities had become more difficult as a result of the GFC, but 45% reported that their banks had been supportive during and after the GFC.

The 2010 MGI Survey revealed that the number of family business owners who would seriously consider selling their businesses if approached had decreased from 75% in 2006 to 61% in 2010. Changes in attitude to selling the family business appears to have much to do with the fall in prices as a result of the drying up of available cash for funding as a consequence of the GFC.

The 2010 MGI Survey also indicates that retirement plans have been impacted by the GFC. In 2006 only 17% of family business owners stated that they did not have a sufficiently funded retirement programme. This has increased to 31% in 2010, most likely on the back of the reduced values of businesses following the GFC.

We observe with concern that the maximum annual concessional (deductible) contribution that can be made to superannuation by individuals over the age of 50 has been progressively reduced over the last few years from $100,000 to $25,000 for the 2013 financial year. We contend that such a reduction cannot be justified at a time when the GFC has so adversely impacted on the retirement funds of family business owners.

Furthermore, maintaining a low universal concessional contributions cap fails to recognise that, in their early stages, family businesses rarely have surplus funds to make more than the minimum mandated superannuation contributions for family members employed in the business because all available funds are usually reinvested in the business. It is only in later years, once the business is established, that funding for superannuation is available. A low universal concessional contribution cap means that family business owners will now find it difficult to build substantial superannuation benefits.

Recommendation

That the Inquiry recommends:

- **that the annual $25,000 cap on superannuation concessional deductions for individuals over the age of 50 years be reinstated to $50,000 as a matter of urgency. Furthermore the Inquiry should recommend that the annual cap for persons over the age of 50 years should be increased to $100,000 for those persons whose accumulated balance at the beginning of the financial year is less than $500,000.**

Conclusion

We are very firmly of the view that the significant contribution of the family business sector to the Australian economy warrants the appointment of a Minister for Family Business. The limited scope of the responsibility of the current Minister for Small Business renders that portfolio inadequate for dealing with family business matters.

With respect we therefore request that the Parliamentary Joint Committee on Corporations and Financial services undertakes the following:

- Recommends the adoption of the definition of a family business to be one which involves two or more related individuals who work together (or are otherwise associated) in a commercial enterprise that is controlled by one or more of them.
- Recommends that the Australian Government via an agency such as the Australian Bureau of Statistics provides funding to recognised research institutions, including, but not limited to, RMIT University on a cooperative basis to enable the regular collection of data that will provide comprehensive detail concerning the management and nature of Australian family businesses.

  (By way of explanation we define “cooperative basis” as a matching basis of funding whereby the Australian Government matches the costs of the researcher on a dollar for dollar or similar basis).
- Recommends that section 113 of the Corporations Act 2001 be amended to increase the shareholder threshold to 100.
- Recommends that the Government actively encourage family business owners to avail themselves of the training activities of organisations providing education in family business management including, but not limited to, Family Business Australia.

- Recommends that the Government specifically addresses the issue of gender imbalance in family business management and governance by devising programmes to encourage the more active participation of females.
- Recommends the establishment of a separate class of director to encourage the creation of active boards of family businesses.
- Recommends that an exemption be inserted into Subdivision 83A-C of ITAA97 to defer the taxing point on the issue of discounted shares to key employees of family business until the shares are sold and extend the maximum shareholding for which deferral applies to 49% and that amendments to the CGT value shifting provisions are made to ensure existing family shareholders are not subject to CGT if shares are issued at a discount to key employees in accordance with the deferral provisions recommended in relation to Subdivision 83A-C of ITAA97.
- Recommends that the measures enacted from 16th December 2009 in respect of Unpaid Present Entitlements owing by Trusts to Private Companies be repealed as a matter of urgency.
- Recommends that the Federal Government use its legislative and coercive powers to require all State Governments to remove all stamp duties on the transfers of business assets.
- Recommends that the exception to CGT events E1 and E2 in relation to the transfer of assets between trusts where the beneficiaries and terms of both trusts are the same be reinstated.
- Recommends that the Federal Government initiate measures to improve the competition between banks in the Australian market.
- Recommends that appropriate incentives and supporting funding are put in place to enhance capital accessibility, particularly for family agribusinesses. Such incentives and support could include the funding for 'investor ready' programs to assist family businesses implement appropriate governance and reporting structures and systems.
- Recommends that the annual $25,000 cap on superannuation concessional deductions for individuals over the age of 50 years be reinstated to $50,000 as a matter of urgency and that the annual cap for persons over the age of 50 years should be increased to $100,000 for those persons whose accumulated balance at the beginning of the financial year is less than $500,000.
- Recommends that a Federal Minister for Family Business be appointed.

References

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