



MTAA



PO Box 6298 Kingston ACT 2604 * 02 51008239 * admin@mtaa.com.au * www.mtaa.com.au

19 April 2020

Mr Anthony Marvella
Assistant Commissioner
Small Business
Australian Taxation Office
and
Ms. Cathy Filardo
Secretariat
National Tax Liaison Group (NTLG)
ATO Consultation Hub Strategy and Integration Enterprise Strategy and Design
Australian Taxation Office

Via Email: NTLG@ato.gov.au; Anthony.Marvella@ato.gov.au

REF: ATO Consultation - JobKeeper: decline in turnover – Submission Motor Trades Association of Australia

Dear Mr Marvella and NTLG Secretariat.

Thank you for the opportunity for the Motor Trades Association of Australia Limited (MTAA) to provide input on the JobKeeper: Decline in Turnover Draft Legislation Instrument.

Due to confidentiality requirements and the necessary short time constraints, MTAA has not had the opportunity to canvass its member associations or their constituents on the draft instrument. MTAA will therefore confine its input to known positions of member associations, MTAA's national positions and awareness and knowledge of the automotive sector and industries within it - particularly new car and farm and industrial machinery retailing.

MTAA responses to relevant ATO questions

- 1. Are there other situations where there is something about the relevant comparison period outside the usual business setting that could mean the Commissioner could be satisfied the period is not appropriate?**

MTAA suggests there is justification for consideration of a different period of comparison where legislative changes have adversely affected GST turnover in the defined period, were outside the control of the employer and may have had unintended consequences.

This may include some changes resulting from the Banking and Financial Services Royal Commission implemented in the past 12 months. Another example, specific to new car retailing, are changes to finance regulations which have impacted GST turnover during 2019. In this situation 2018 data may be a more meaningful measure.

There are other situations in automotive retailing that could impact relevant comparison periods for demonstrating impact on GST turnover. For example, in February 2020 catastrophic hailstorms in three states caused the write-off of thousands of vehicles which temporarily resulted in increased new car sales, which may have distorted year on year comparison.

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2. Is the proposed alternative decline in turnover test for drought situations in the draft legislative instrument adequate?

MTAA has evidence from a number of farm and industrial machinery dealers who are contending with multiple setbacks over several years ranging from prolonged drought, specific industry adjustment (i.e. Dairy), bushfires and now COVID-19. Many of these businesses are small to medium sized enterprises and usually play a unique role in the economy and social fabric of the regional and rural communities they are based.

In many cases they serve multiple industries including local and state government departments and agencies, emergency services, as well as other industries including agriculture and mining.

Invariably they often employ more than 20 employees across several different service and product lines and are valued employers of apprentices and trainees. They are also often high turnover low margin businesses due to the high cost of vehicles and equipment. These attributes also apply to new car retailing businesses.

The threshold and turnover criteria prohibit some of these businesses from accessing stimulus and assistance packages including JobKeeper. Many have successfully retained and maintained staff through adversity, but the lack of access to JobKeeper has resulted in significant – and many would suggest the final insurmountable hurdle – for business survival.

The proposed alternative decline in turnover for drought / bushfire / natural disaster situations should take other factors into account including the specific role such businesses play in local communities in regional and rural Australia, the high value / low margin nature of their business and the compounding effect of multiple impacts.

3. Does there need to be an alternative decline in turnover test in regard to business with 'lumpy' turnover. By 'lumpy' we do not mean seasons. For a business with turnover that varies seasonally on an annual cycle there is nothing outside the ordinary business setting in regard to the relevant comparison period. By 'lumpy' we mean an entity that has significantly variable turnover over the course of a year. On one view that is the ordinary business setting for the entity.

MTAA respectfully suggests there needs to be an alternative decline in turnover test for some businesses where a decline in GST turnover or alternative comparison period are not adequate or meaningful in demonstrating access to JobKeeper and retention of staff.

There is an urgent need for further consideration of threshold eligibility criteria for JobKeeper and an alternative decline in turnover test that considers high cost product industry such as automotive and farm machinery retailing where the characteristics are high product high / high turnover, but small margins, particularly where those margins can be demonstrated to have been significantly impacted by COVID-19 and measures to address the health crisis.

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Central to the urgent request for additional consideration are the characteristics of new vehicle and farm machinery retailing industries including:

- Turnover is high given the high value of vehicles
- However, margins are very low at around 1% for passenger vehicles
- Dealers are high employers with some groups employing more than 50-100 employees including substantial apprentices and trainees

MTAA and Members have undertaken considerable research and analysis of the impacts of COVID-19 and accessibility of the three stimulus and assistance measures. This research has been enhanced by detailed analysis by Carsales.com.au Ltd who have considerable insights into new car retailing economics.

Analysis shows that only a small percentage of the car and farm machinery retailing industries and employees will receive stimulus support. Medium and larger dealers are facing critical risks.

Dealerships eligible for the cash boost represent only 20% of the employed workforce, and dealerships eligible for jurisdictional payroll tax relief or deferral represent only 16% of the employed workforce.

The research reflects that the average aggregated turnover of grouped dealerships is \$128 million and therefore not qualifying under the Federal Government’s \$50 million-turnover threshold.

The average staff level of a dealerships is 39, therefore not meeting the apprentice subsidy and other assistance measures criteria of having less than 20 employees, and, that average staff wages generally exceed most State and Territory Government payroll tax thresholds, prohibiting access to jurisdictional relief measures as well.

The research also reveals that in the current situation, where sales have effectively stopped, the average dealer nationally will, at best, lose a minimum of \$120k per month after all available government support is factored in, including JobKeeper. This monthly loss figure will continue to increase as sales reach record lows.

As at 17 April 2020:

Key survey outcomes reflect that:

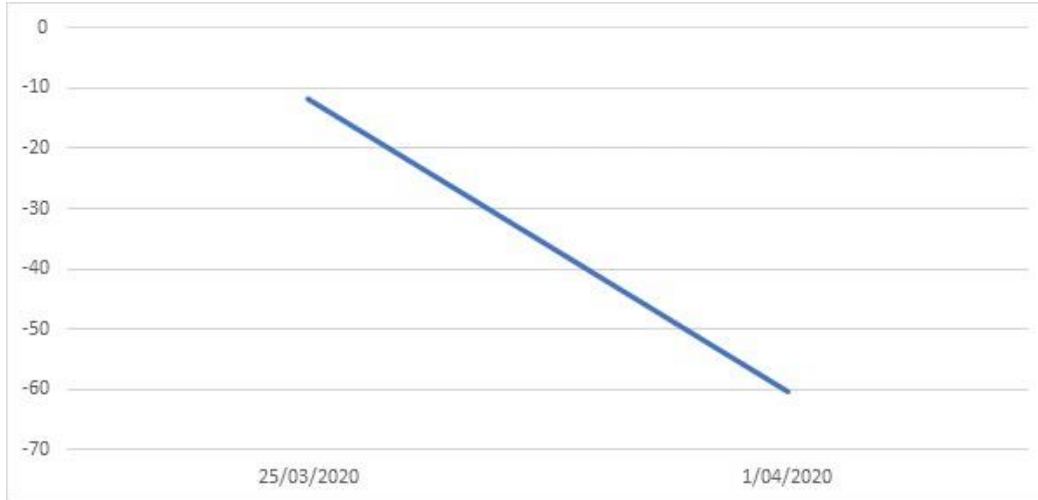
- Sales are down 60.3 % across the board against aggregated daily sales average
- Dealership Service Department are averaging 10.11 service bookings cancellations or no shows due to conflicted messaging regarding access to retail services
- Sale of finance by dealerships is down 76.7 % per dealership against aggregated daily average
- Sale of parts and accessories is down 18.6 % against dealer daily average.

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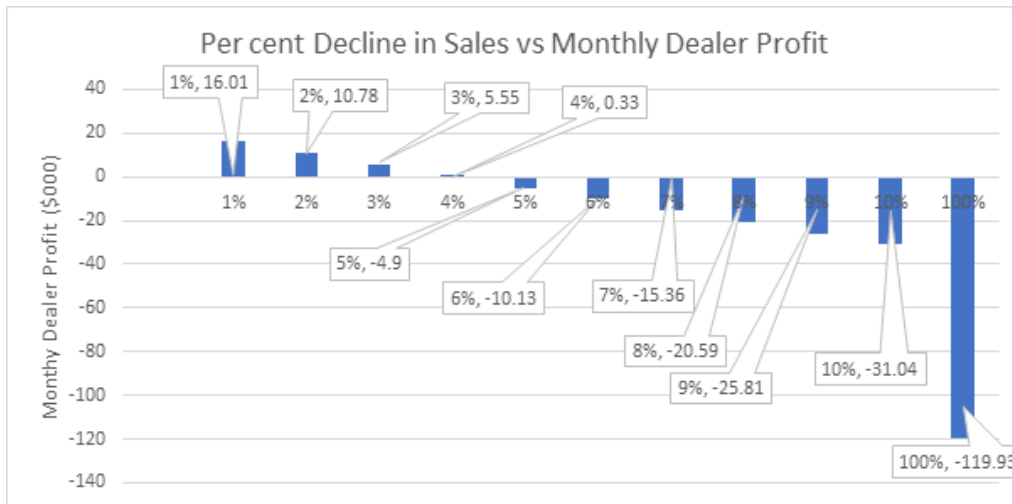




Per cent decrease in vehicle sales



Per cent decline in sales Vs monthly dealer profit



MTAA appreciates the opportunity to provide input. Please do not hesitate to contact me should you require any additional information or clarity on 0412146828 or richard.dudley@mtaa.com.au .

Yours Sincerely

Richard Dudley
 Chief Executive Officer
 Motor Trades Association of Australia Limited

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