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‘Nothing is certain but death and taxes’: it is appropriate that the proverb about the unavailability of tax is attributed to many sources. Regulation (including tax) that impacts on farm business sustainability is a many-headed monster originating from multiple legislative agendas and political platforms. In the modern political climate, it seems increasingly difficult to make substantial change to harmonise and simplify the tax and regulatory system. As is made clear in this issue of the *Farm Policy Journal*, there are multiple tax and regulatory issues impacting on farm business performance, management and sustainability. What also emerges from these five papers is that there are multiple ways of addressing those issues.

The first paper by Professor John Freebairn from the University of Melbourne provides a detailed overview of the Australian tax system, focusing on taxes specifically levied on agriculture and the impact of economy-wide taxes on agriculture relative to other sectors in the economy. Professor Freebairn makes the point that the economy-wide tax concessions for small business are significant for agriculture, given the predominance of small businesses in the sector.

Professor Freebairn also analyses the potential impact on Australian agriculture of changes to the tax system contained in the Henry Tax Review of 2010 and the Commonwealth Government’s Re:Think paper of 2015. The reforms proposed in these papers are based on introducing efficiencies through reducing complexity. Professor Freebairn notes that the some of the comparative advantage that small businesses enjoy under the current

system would be removed by a flatter (simpler) taxation structure, resulting in an increased tax burden for sectors of the economy with a higher proportion of small businesses, such as agriculture.

The second paper is authored by Dr Dale Miller and Amelia Shaw from AgForce. While Professor Freebairn’s analysis centres on the equity of tax concessions enjoyed by agriculture based on whether small agricultural businesses are more prone to market failure than larger businesses, the AgForce paper examines the relatively low rates of tax paid by agriculture compared to other sectors in the context of the extensive secondary economic activity built on the sector and low levels of public funding support.

Dr Miller and Ms Shaw propose a set of principles for tax policy that would lead to a continually improving system to deliver taxes that are ‘lower, simpler and fairer’. The authors argue that the unique characteristics of Australian agriculture need to be considered in structuring the taxation system. These include greater income variability through climate risk and market risk, predominance of small, owner operator and unincorporated business, succession challenges, geographic isolation and low levels of public funding support.

Farm Management Deposits (FMDs) are one of the few agriculture-specific tax concessions available to farm businesses. The third paper in this journal moves from a general overview of the tax burden on agriculture to a detailed how-to guide for using FMDs to manage financial risk for

wealth creation, consolidation, expansion and the security of the overall family business.

Brian Wibberley, a chartered accountant and specialist financial advisor in primary production, believes that there has been too much focus on the taxation benefits of FMDs and not enough on their potential as a farm business management tool. His paper provides a detailed and comprehensive guide to using FMDs more effectively.

Along with taxes, the regulatory effects of government policies can have a significant impact on the operations and sustainability of farm businesses. In recent times, energy and environmental policies (either implemented or proposed) have had potentially far-reaching consequences for agriculture. The last two papers in this edition of the *Farm Policy Journal* discuss possible approaches to address energy and environmental imperatives where they intersect with agriculture.

In a timely response to the apparent political death of the National Energy Guarantee, Geoff Carmody puts forward an alternative regulatory process for reducing emissions, based on consumption rather than supply. Mr Carmody argues that the recent dominant energy policy positions supporting renewable energy targets (RETs) and subsidies disadvantage Australian agriculture, as the cost of RETs would be embodied in exported agricultural production while our trade competitors don't apply the same RETs. Application to transport costs in particular would damage agricultural competitiveness.

Mr Carmody challenges paradigms on enforcing the viability of renewable energy and puts forward the proposition that comprehensiveness and uniformity in energy policy delivers the least expensive, least distorting way of reducing emissions. In many ways this is a similar proposition to principles embedded in the simplified tax structure proposed by the Henry Tax Review. By removing all artificial and inefficient determinants of energy generation, the market would be left to determine the most effective way of reducing emissions based on appropriate pricing.

The last paper is authored by Professor Paul Martin from the Australian Centre for Agriculture and Law in the School of Law at the University of New England. As Miller and Shaw argued for agriculture-specific tax policy due to the sector's unique characteristics, Professor Martin proposes that policy which addresses the inexorable decline of rural diversity must address specific economic and demographic fundamentals and the climate variability faced by agriculture if it is to be effective.

While acknowledging the difficulty in creating such a model, Professor Martin believes that increased environmental protection is possible through spreading the financial burden and reducing the transactional cost of environmental protection.

The impact of tax and regulation on farm business sustainability can be a dense and complex discussion, made more complicated by the circuitous and ad hoc route that much of today's policy development has taken. The papers in this journal give an overview and some specific deep dives into areas of policy which farm business are exposed to today. Some contrasting views are put forward, reflecting the fact that policy for tax and regulation will perhaps always be unlikely to result in consensus. In the absence of consensus, certainty is the next best option – but unfortunately the modern political climate is not conducive to certainty either.

So how to navigate a path forward for agriculture in this environment? The role of the Australian Farm Institute through this journal, and indeed all our work, is to promote an informed debate in which advocates for agriculture have the facts at hand to advance policies which enable farmers and the wider sector to operate in a profitable and sustainable manner. Because, while death and taxes are certain, so is the fact that we will always need a viable agriculture sector.

