

HOME GROWN/DEVELOPED PRODUCTS AND HOST/HOME GOVERNMENT INCENTIVES FOR INTERNATIONAL TRADE

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What we need to know

Here are all the points this PowerPoint aims to cover from the BME Y12 Syllabus. These two topics are covered together due to their similarity.

- benefits of home grown/developed products
 - host country and home government incentives for international trade, including:
 - grants
 - taxation
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Benefits of Australian grown products

While globalisation provides a variety of choice, competitive products and many other benefits to consumers as discussed in last the PowerPoints, Australian or “home grown” products play a vital role in stimulating the economy and providing opportunities for businesses. These include:

- **Creation of jobs and income locally** - new products produced in Australia undergo research and development locally. This promotes job growth as complicated research and utilisation of technology to create the goods and services require labour. With more expertise orientated employees being hired, higher income is offered as well and local labour market becomes more skilled/experienced.
- **Improvement of Australia’s manufacturing capabilities** - as businesses develop their goods and services in Australia they are refining processes of manufacturing, research and development involved in creating their goods and services. These processes become more efficient over time with repetition and refinement and can be used to create **new** goods and services which are cheaper to produce, able to be made in larger quantities with less initial investment required for the business.
- **Improved financial growth/position for businesses** - Australian businesses benefit from an established presence and familiarity with the Australian market that allows them positioning its goods and services. Foreign firms lacking this knowledge and as such are at a disadvantage. New revenue streams are also made possible by this with the ability to expand further into the local market with less uncertainty than foreign rivals.




Benefits of Australian grown products (Cont.)

Businesses can take advantage of government support - only firms that choose to develop products in Australia are eligible for grants from Department of Industry and Department of Transportation ranging from \$50,000 up to \$2,000,000 depending on the technologies used and industry targeted.



Increased taxation revenue - with greater sales and profit from domestic businesses the Federal Government receives a greater 25-30% portion of their taxable income in corporate tax. This can then be reinvested in the form of grants/subsidies or put towards other economic initiatives.



Consumer rights and protections - right to refund, replacement or repair, enforcement of penalties for misleading conduct, warranties, guarantees and other Australian Consumer Law rights are able to be enforced on all domestic goods and services. This helps build confidence in local consumers to purchase local goods in addition to protection.

Incentives for International Trade - Grants

The Australian Government as well as overseas Governments utilise financial awards/payments to eligible businesses as an incentives, these are called **grants**.

- **AusTrade and Export Market Development Grants (EMDG)** – a Federal Government scheme for new and existing international businesses that reimburses up to 50% of expenses incurred on eligible exports. Businesses must have an annual income of less than \$50 million and incur a minimum of \$15,000 in export expenses. Up to 8 grants for each eligible applicant. These grants focus on loss minimisation for small and medium businesses that are developing export markets.
 - **5G, electric vehicles, education, tourism** and many other industries are being actively subsidised by the Department of Industry with grants up to \$2 million and individual programs offering up to \$44m+ in grants for businesses in Australia in certain industries. International businesses can benefit from these grants should they develop goods and services and conduct business in Australia.
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It isn't taxation itself that is a benefit to international business, rather the reduction of certain taxes for businesses that conduct Research and Development (R&D) in Australia or broadly contribute to international trade and expanding the Australian economy. The Australian Government recognises this and created the R&D Tax Incentive in 1985, presently delivered by the Australian Taxation Office and AusIndustry.

- **150% deduction** for businesses with an annual turnover less than \$20 million with **133% deduction** for all other eligible businesses. These deductions also apply to activities conducted overseas.
- **Aims to boost competitiveness and productivity in the Australian economy** – this is achieved by encouraging R&D that otherwise may not have been undertaken, incentivises small to medium businesses to undergo the R&D process and provide fixed support for them.

Incentives for International Trade - Taxation

Incentives for International Trade - Taxation (Cont.)

Early stage tax incentives are also another form of taxation incentive that promotes investment in innovative and potentially high-growth startups. Benefits include

- **20% non-refundable tax offset** on investments, with a limit of \$200,000 per investor annually and a **10 year exemption on capital gains tax** (tax paid on profits from sold/exchanged assets) as long as the investments were held for three years.
- While this is applicable for Australian-only businesses, it encourages foreign investment into these businesses and Australian businesses to trade internationally with reduced costs because of this incentive.



Additional Incentives

- **Export Finance and Insurance Corporation (EFIC)**
guarantee - EFICs provide guarantees to a bank or any other financial institution for a buyer (i.e. business)'s payment obligation (i.e. loan repayment). This is a form of security for loans and other financing options to businesses that encourages Australian businesses to explore overseas markets and multinational businesses to enter Australian markets.
- **AusTrade** - provides information about international markets and trends to businesses as well as facilitate meetings between potential business clients and partners. Research is also conducted by AusTrade on market development, forecasts, industry opportunities, possible competitors and partners that is made available to businesses to make financial decisions and aid their global expansions.



Australian Government

export
finance
australia