Senate Economics Legislation Committee

Submission to the Senate Economics Legislation Committee

Treasury Laws Amendment (Tax Reform No. 2) Bill 2026

July 2026

national electrical and communications association

Executive Summary

The National Electrical and Communications Association welcomes the opportunity to make a submission to the Senate Economics Legislation Committee's inquiry into the Treasury Laws Amendment, Tax Reform No. 2 Bill 2026.

NECA is the peak industry body representing more than 6,500 electrical and communications contracting businesses across Australia. NECA's members operate across construction, infrastructure, housing, energy, communications, renewables, essential services and the broader electrification supply chain. The sector is central to the delivery of Australia's housing, construction, productivity, energy transition, data centre, communications and net zero objectives.

Public workforce data shows that more than 330,000 Australians are employed across the electrical, communications, engineering, refrigeration and electricity network workforce. This underscores the scale of the sector and its importance to national productivity, energy security, infrastructure delivery and economic resilience.

NECA supports the Bill. The permanent extension of the instant asset write off and the introduction of a loss carry back tax offset are practical and constructive measures. They will improve cash flow, provide greater certainty for business investment and support otherwise viable businesses through periods of economic volatility.

The Government's policy rationale is sound. Businesses need certainty to invest. They also need tax settings that reflect the real cost of productive assets. However, NECA submits that the Bill should be strengthened. The current $20,000 asset threshold is no longer adequate for modern electrical and communications contracting businesses. **NECA recommends that the threshold be increased to $50,000 and that eligibility be extended to businesses with aggregated annual turnover of up to $50 million.**

This position is consistent with NECA's previous submission to the Senate Economics Legislation Committee on the Treasury Laws Amendment, Strengthening Financial Systems and Other Measures Bill 2025. In that submission, NECA supported the extension of the instant asset write off but submitted that the $20,000 threshold was inadequate for the electrotechnology industry because of rapid technological change, regulatory compliance costs and the high cost of modern electrical tools, vehicles and diagnostic equipment.

The case for a $50,000 asset threshold

The electrical and communications contracting industry is being asked to deliver a larger, more complex and more technically demanding national infrastructure task. Contractors are investing in equipment and capability for renewable energy systems, electric vehicle charging infrastructure, battery energy storage, switchboards, data centres, communications networks, smart building systems, safety systems, testing and commissioning requirements, and digital compliance platforms.

These investments are not discretionary business purchases. They are productive assets required to deliver safe, compliant and efficient work. A $20,000 threshold may assist with smaller tools and lower value equipment. It does not adequately support investment in the larger assets that drive productivity, safety and technical capability in the electrotechnology sector.

Modern contractors require vehicles, lifting equipment, cable handling equipment, battery and solar testing equipment, thermal imaging equipment, commissioning equipment, calibrated instruments, specialist safety equipment, digital job management systems and compliance platforms. In many cases, these assets exceed the current $20,000 threshold. A $50,000 threshold would better reflect the real cost of operating in a modern, regulated and technology intensive trade.

The instant asset write off also has a practical safety and compliance dimension. Electrical and communications contracting is capital intensive. Many safety critical or productivity enhancing assets now exceed the current threshold. Publicly available Australian market examples include high end thermal imaging cameras costing more than $25,000 excluding GST, cable pulling equipment above $20,000, cable drum trailers from approximately $20,000 to $78,000, cable fault locating systems above $36,000 and scissor lifts with average listed prices close to $30,000.

These are not optional purchases. They are tools, plant and systems used to test installations, identify faults, reduce manual handling, work safely at height, handle heavy cable drums, support communications infrastructure and maintain compliance with electrical safety and work health and safety obligations.

A higher instant asset write off threshold would allow electrical and communications contractors to bring forward investment in safer, more efficient and more technically capable equipment. This is particularly important as contractors are required to deliver increasingly complex work across renewable energy, battery storage, electric vehicle charging infrastructure, data centres, telecommunications networks, building automation and essential electrical infrastructure.

The policy issue is not simply whether a business can deduct the cost of a tool. The issue is whether small and medium sized contractors have a practical tax setting that supports timely investment in the equipment needed to work safely, remain compliant and participate in Australia's energy and digital infrastructure transition.

The policy case is also supported by Australia's productivity challenge. The Budget states that the permanent instant asset write off is intended to help small businesses make investment decisions with confidence. That objective will be better achieved if the asset threshold reflects the actual cost of productive plant, equipment and technology used by the businesses delivering national infrastructure.

The case for a $50 million turnover threshold

NECA recommends that eligibility for the instant asset write off be extended to businesses with aggregated annual turnover of up to $50 million.

The current $10 million turnover threshold does not reflect the operating structure of electrical and communications contracting businesses. Turnover is a poor proxy for financial capacity in construction, infrastructure and energy markets. Many contractors carry significant project revenue because they purchase materials, cable, switchgear, vehicles, testing equipment, safety equipment, software, plant and subcontracted services for project delivery. They also carry payroll, insurance, compliance, training and working capital obligations.

A business may exceed $10 million in turnover without having the balance sheet strength, cash reserves or market power of a large corporation. This is especially true in construction and energy supply chains, where margins can be modest, payment terms can be extended and project costs can be substantial.

Medium sized electrical and communications contractors are often the firms with the capability to tender for larger projects, employ supervisors, train apprentices, maintain specialised licences and invest in the systems needed to deliver complex work safely. Excluding these businesses from the instant asset write off weakens the firms Australia needs to scale delivery in housing, commercial construction, renewable energy, battery storage, electric vehicle charging, data centres, communications networks and grid related infrastructure.

The current $10 million threshold also creates a growth disincentive. A contractor approaching that threshold may be discouraged from taking on additional work, employing more apprentices, purchasing new equipment or expanding into energy transition markets if doing so causes the business to lose access to investment support. Public policy should reward growth and capability building. It should not create a tax cliff at the point where a small contractor begins to become a medium sized contractor.

A $50 million turnover threshold is a more appropriate policy setting. It would recognise that many active, growing, medium sized businesses remain exposed to the same cash flow, investment and compliance pressures as smaller businesses. It would also better align the instant asset write off with the scale of firms required to deliver Australia's energy, housing and infrastructure priorities. Rapidly changing energy technology strengthens the case

The case for both a $50,000 asset threshold and a $50 million turnover threshold is strongest in the energy sector.

Australia's energy system is changing rapidly. The Australian Government's Capacity Investment Scheme is intended to accelerate investment in renewable generation, including wind and solar, and clean dispatchable capacity, including battery storage. These policy settings require a large and capable contractor base to install, connect, test, commission, maintain and upgrade the electrical infrastructure that underpins the transition.

This represents a significant shift in the work performed by electrical and communications contractors. Contractors are no longer confined to traditional wiring systems. They are increasingly working with distributed energy resources, solar systems, batteries, electric vehicle chargers, energy management systems, smart building platforms, communications infrastructure, grid interface equipment, metering, monitoring and digital compliance systems.

The technology cycle is shortening. Equipment, standards, software, commissioning requirements and safety expectations are changing at speed. Contractors must update testing instruments, diagnostic equipment, calibration regimes, digital platforms and worker training to keep pace. A tax setting designed around low value assets does not reflect the capital intensity or pace of change now facing the sector.

A higher instant asset write off threshold would support productivity, safety and workforce development. Better equipped businesses can deliver work more efficiently, expose apprentices and licensed workers to current generation technology, and improve compliance outcomes. This is especially important in high risk electrical work, where safe delivery depends on current testing equipment, isolation equipment, calibrated instruments, personal protective equipment, height safety equipment and reliable digital records.

The energy transition will be delivered by skilled workers, capable contractors and businesses that can invest in the equipment needed to perform complex electrical work safely and efficiently. The tax system should support that investment.

Loss carry back

NECA also supports the introduction of a permanent loss carry back mechanism. The Treasurer's second reading speech states that loss carry back will be particularly valuable for established businesses that have been profitable in recent years but experience a temporary downturn. It also states that loss carry back is expected to benefit up to 85,000 companies each year, mostly small businesses, with the largest impacts in construction, manufacturing, professional and scientific services, finance and insurance, and wholesale trade.

This is particularly relevant to electrical and communications contractors. Businesses in construction and energy supply chains can experience temporary losses because of project delays, payment disputes, supply chain disruption, rising input costs or investment in new assets. The ability to carry back losses against prior year tax paid will improve cash flow and reduce the risk that an otherwise viable business is weakened by a temporary shock.

The loss carry back measure should be understood as complementary to a stronger instant asset write off. Where a business invests in productive assets and temporarily incurs a tax loss, the loss carry back mechanism can provide timely cash flow support. That combination encourages investment while reducing the risk that a temporary loss becomes a business failure.

Recommendations

NECA recommends that the Committee support passage of the Bill, subject to strengthening the instant asset write off.

Recommendation 1. The instant asset write off threshold should be increased from $20,000 to $50,000.

Recommendation 2. Eligibility for the instant asset write off should be extended to businesses with aggregated annual turnover of up to $50 million.

Recommendation 3. The Government should review the threshold periodically and consider indexation so the measure does not erode as the cost of vehicles, plant, safety equipment, testing equipment, software and digital systems rises.

Conclusion

NECA supports the Bill. The permanent instant asset write off and the loss carry back mechanism are positive measures that will improve cash flow, reduce compliance costs and support business investment.

However, the Bill should go further if it is to meet the practical investment needs of Australia's electrical and communications contracting industry. A permanent $20,000 instant asset write off is welcome, but it does not adequately reflect the cost of productive assets required by modern contractors. A $50,000 asset threshold and a $50 million turnover eligibility limit would provide a more effective, targeted and productivity enhancing measure.

These amendments would support small and medium sized electrical and communications contractors to invest, train, employ, innovate and deliver the infrastructure Australia needs.