

20 September 2012

Mr Chris Jordan  
Chair of Business Tax Working Group (BTWG)  
The Treasury  
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PARKES ACT 2600  
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Dear Mr Jordan

**Submission on the Business Tax Reform Discussion Paper**

Thank you for the opportunity to provide comments on the *Business Tax Reform* discussion paper.

While ACCI would welcome the lowering of the corporate tax rate from the current 30 per cent to an objective of 25 per cent as recommended by the Henry Tax Review, we are concerned with the notion that the proposed reduction should be funded by savings within the business tax system.

Our view remains that the funding of company tax reductions should be met by a commensurate reduction in spending. Furthermore, any meaningful business tax reform cannot be achieved without a robust independent review of government expenditure. Against the current difficult economic backdrop, Australian businesses are not in a position to face a higher tax burden even where a notional trade-off is contemplated. Accordingly, ACCI rejects all of the nominated savings mechanisms identified in the discussion paper.

Our membership has overriding concerns that they would be giving up important tax arrangements which are beneficial across many sectors when the prospect and level of a company tax reduction is highly uncertain.

In terms of priorities and helping to maximise economic and productivity benefits there should be more immediate focus on reducing personal income tax rates including for middle and higher income earners. It is also important to note a lower company tax rate further widens the gap with higher marginal income tax rates. Reducing marginal rates for personal income taxpayers remains a cornerstone for helping small business and entrepreneurial activity, including rewarding risk taking and productive investment.

The BTWG process should model and provide an assessment of the potential longer-run economic impacts of company tax reform and also be required to provide an assessment of the impact of the tax saving measures on business investment decisions, especially dealing with those sectors that will be hit most severely by the proposed tax changes.

In summary, ACCI:

- argues that meaningful business tax reform can only be achieved through an independent review of government expenditure that lowers the overall tax burden;
- rejects all of the nominated savings identified in the discussion paper;
- is concerned that the proposed business tax saving measures will have a negative impact on business operations and investment decisions;
- considers the prospect of a company tax cut remains uncertain and there is not a persuasive case to remove tax arrangements that currently provide benefits across large areas of Australian businesses; and
- while supporting reductions in company tax over time, a higher priority should be assigned to lowering marginal tax rates and reducing the number of thresholds applying in the personal income tax system.

Yours sincerely,

**Greg Evans**

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