To The Business Tax Working Group,

I welcome the opportunity to respond to the Discussion Paper of Monday, 13 August 2012. My name is Dr. Alex Streit and I am the co-founder of ImmersaView Pty Ltd, a growing Brisbane-based technology company with primarily international customers. Prior to this I was based in Silicon Valley and involved in venture backed technology startups. My interest is in high tech business and I am particularly interested in the composition of a sustainable Australian economy into the future. My experience is almost entirely with SME and startup entrepreneurship of an intellectual nature with an export focus.

In response to the consultation questions:

A. In the context of my business, a cut to the tax rate would affect decisions about:
    i. Undertaking new investment: Any rate cut will provide a marginal improvement in the attractiveness of investment. However there are factors that are outside the working group's terms of reference that could be used to provide greater incentive (such as CGT).
    ii. Choice of business structure: Rate cuts are unlikely to impact the structure.
    iii. Where new investment is undertaken: At the early stages of a business the impact of cash flow is also a large factor in decisions and as such any cash advancing concessions will usually be more attractive.
    iv. How new investment is financed: Any cut in the rate would have a marginal improvement on the ready availability of equity funding, however other factors are usually stronger.
B. I would support any of the proposed base broadening options.
C. In the context of my business, the base broadening options would affect decisions about:
    i. Undertaking new investment: With the exception of the R&D tax incentives, the current concessions are overly generous to specific sectors (such as Mining) and as such their implementation would not affect my investing activities. I believe the R&D tax incentives should be implemented in a different and more effective way; however this is beyond the scope of this response.
    ii. Choice of business structure: Unlikely to have significant impact.
    iii. Where new investment is undertaken: Complete removal of the R&D tax incentive might provide additional concern about where to locate research facilities.
    iv. How new investment is financed: The removal of these concessions is unlikely to have any impact on how new investment is financed.
    v. Undertaking research and development: One of the principal ingredients in a startup is research and development. It needs to be carried out without interruption in order to maintain an advantage on the global marketplace. It is usually also in this crucial time that cash flow is of critical importance. For small high tech companies the competitive advantage can easily be squashed if they are burdened by heavy compliance and long claim cycles. A reduction in the company tax would be insufficient to support these

efforts. R&D incentives should be restructured to get them to the companies that need them most, which is outside the scope of this working group.

D. In the context of my business, would the base broadening options:
    i. Change compliance costs: Compliance costs are a significant issue in business. One of our main issues we face with accessing government support is a lack of awareness that every piece of paperwork costs the business money. In my view any change that simplifies paperwork and tax systems is welcome. Broadening the tax base by removing concessions is likely to achieve this.
    ii. The identified base broadening options primarily target larger sized companies.
E. I have no alternative base broadening options at this time.
F. I do not have enough understanding of how an ACE might affect the climate. It strikes me that an ACE might have the potential to encourage average performing companies. In contrast, Switzerland have limited the deductibility of debt funding and particularly addressed thin capitalization by including appropriate liabilities in calculations.
G. I would want to see a study of the parameters for an ACE, including proposed rates and their anticipated effects. I would also like to see the impact of reducing the deductions for debt funding and similar alternatives.

I welcome the discussion paper and the wider debate that needs to be held. I would welcome a reduction in the corporate tax rate but I can see that it is highly unlikely to be implemented. I believe there are many concessions that should be adjusted or scrapped. It is my personal opinion that capital gains tax should be deferred indefinitely so long as the gain is reinvested in a young Australian company as a non-controlling shareholding. Incentives such as these would encourage reinvestment without needing to appeal to new foreign investment. I therefore hope the business tax working group are granted a wider term of reference in future discussions.

Regards,

Alex Streit