

**Business
Coalition for
Tax
Reform**

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Tax White Paper Task Force
The Treasury
Langton Crescent
PARKES ACT 2600

Via email: bettertax@treasury.gov.au

Dear Sir/Madam

BCTR Submission to the Re:think Tax Discussion Paper

The Business Coalition for Tax Reform (BCTR) is a forum for bringing together the views of the business community on tax reform issues. BCTR members share the common objectives of creating and implementing a better tax system that enhances both international and domestic business competitiveness and fairness, and which assists in creating a business climate conducive to investment, growth, job creation and private saving.

A list of BCTR members is contained in Attachment A.

The BCTR welcomes the opportunity to comment on the "Re:think – Better tax system, better Australia" discussion paper, which commences the government's tax white paper process. As the paper notes, tax reform offers one of the largest opportunities to improve investment and productivity, and to help maintain and improve living standards.

The tax discussion paper is a solid base from which to seek input for a comprehensive review of the current tax system. The focus on how the individual elements of the system operate together is also welcome; given these elements do not operate in isolation of each other. In that context, **the BCTR supports the close coordination of the tax and federation white papers, recognising the relationship between the two.** The BCTR also acknowledges that comprehensive reform including state taxes requires the cooperation and agreement of state governments.

The BCTR supports the proposition put forward by the discussion paper that the case for reform of Australia's tax system is compelling. **Put another way, inaction is not an option.** Australia faces a number of challenges, including continued economic growth and improvements in living standards, an ageing population and the erosion of tax bases that are narrowly based. This will mean looking to measures that support productivity growth and participation, while the tax system grapples with additional challenges such as technological change and increasing mobility in capital and labour in the modern global economy. The complexity of the tax system is also a growing issue, with compliance costs estimated to be \$40 billion a year.

An effective tax reform process must consider all elements of the tax system and it should do so in the context of how changes interact within the entire tax system. The BCTR is supportive of the

discussion paper's approach to not rule in or out any options before an open and considered debate can be had. The debate should be fostered and supported through submissions to the tax discussion paper. **The BCTR strongly believes that a full process of debate, including open forums and robust discussions involving all stakeholders, must be undertaken throughout the white paper process.** Stakeholders across business, community and all levels of government should be involved. Given the importance of an inclusive and comprehensive process, all elements of the system should be considered and debated as part of the review. To not do so may limit and restrict input and involvement, and increase the difficulty in achieving meaningful reform.

The BCTR has a long established set of principles for tax reform (Attachment B). These principles outline a vision for Australia's tax system that is simple, transparent, promotes competitiveness, productivity and workforce participation and balances economic efficiency with equity. In balancing these principles, tax reform must be cognisant of the future economic and social challenges facing the community, as outlined in the discussion paper. **We urge the Government to adopt a set of principles against which the long term tax reform debate can be guided.**

Successful tax reform will respond to the challenges facing Australia by building a broad community consensus in both the direction and approach to reform. **The approach to tax reform should recognise a long-term horizon to ensure proposals are assessed as enduring economic reforms in the national interest.** This approach can also build community support and minimise disruption by providing opportunities to plan. However, it also must be mindful of the short-term transition. This includes the impact on different sectors of the community, and those who have made long-term decisions based on existing arrangements.

The BCTR encourages all levels of government to take a renewed interest in tax reform and to do so from a 'whole of economy' perspective. The best taxation system for sustained long-term economic growth requires all levels of taxation in Australia to be working efficiently, which in turn will facilitate Australia's international competitiveness. Furthermore, the tax system must meet the challenges of today and those likely to arise in the future.

While trade-offs will be part of reform, priorities are required to help balance these trade-offs. The BCTR supports the tax discussion paper's prioritisation of economic growth and continued improvements in living standards. This will include responding to the challenges facing the economy, and promoting growth through participation and productivity. This can be achieved through a lower reliance on the taxes most harmful to growth and that introduce the greatest distortions to decision making, such as stamp duties. The BCTR considers a priority further consideration of:

- ensuring Australia remains an attractive destination for international capital by maintaining a competitive corporate tax burden
- addressing disincentives to workforce participation, such as bracket creep, through reforms to the personal tax and transfer system
- streamlining existing state taxes to reduce compliance and administrative costs, broaden bases and reduce tax rates
- the abolition of the most inefficient states taxes.

The BCTR supports a more competitive corporate tax burden as a key focus of tax reform, to support investment, employment and economic growth. However, we acknowledge that this will come at a cost to Federal revenue in the short term, which could be challenging given the current fiscal environment. Importantly, this highlights the need to consider tax reform in the context of reforming the entire tax system so as competing objectives and principles are balanced.

If there are any questions regarding this submission, please feel free to contact me on 0411 204 784.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tom Pockett', with a long horizontal flourish extending to the right.

Tom Pockett
Chairman, BCTR

Attachment A

BCTR Members

Australian Bankers Association
Australian Chamber of Commerce & Industry
Australian Financial Markets Association
Australian Industry Group
Australian Institute of Company Directors
Business Council of Australia
Corporate Tax Association of Australia
CPA Australia
Financial Services Council
Group of 100
Insurance Council of Australia
Minerals Council of Australia
Property Council of Australia
Real Estate Institute of Australia
Urban Development Institute of Australia

Attachment B

BCTR's ten principles for tax reform

1. The tax system should be simple, transparent and should minimise uncertainty.
2. The design, administration and operation of the tax system should be undertaken with full and effective consultation with relevant stakeholders including the business community.
3. The tax system should fairly balance the need to protect the taxation revenue base with the principles of a good tax system, i.e. efficiency, fairness (horizontal and vertical equity), simplicity, clarity, certainty and low compliance costs.
4. The tax system should enhance competitiveness by providing a climate conducive to improved investment in Australia and from Australia for Australian-based entities and individuals.
5. Indirect taxation at the state and territory level should be more efficient and competitive.
6. The pattern of Federal/State financial relations should be transparent, efficient and sustainable.
7. The tax treatment for savings should be consistent with an overall savings policy that encourages the sustainability of strong, ongoing growth.
8. The tax, and social security, treatment of personal income and fringe benefits should conform to the principles of fairness, efficiency and simplicity.
9. The tax system should avoid the double taxation of business income and provide relief for all business expenses.
10. The tax system should not impede organisational restructuring.