AFMA

23 September 2016

Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Via Email: economics.sen@aph.gov.au

Dear Committee,

Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016

The Australian Financial Markets Association (AFMA) represents the interests of over 120 participants in Australia's wholesale banking and financial markets. Our members include Australian and foreign-owned banks, securities companies, treasury corporations, traders across a wide range of markets and industry service providers. Our members are the major providers of services to Australian businesses and retail investors who use the financial markets. We welcome the opportunity to provide comments to the Senate Standing Committee on Economics (**the Committee**) on the *Treasury Laws Amendment (Enterprise Tax Plan) Bill* 2016 (**the Bill**). We have also reviewed the submission lodged by the Business Coalition for Tax Reform, of which AFMA is a member, and support the comments contained therein.

It is noted that the centrepiece of the Bill is a phased-in reduction of Australia's corporate tax rate, ultimately to 25% for all corporates over a ten-year horizon.

AFMA has long maintained that Australia's high corporate tax rate relative to its major trading partners and regional centres with whom Australia competes, such as Singapore and Hong Kong, hinders the ability of Australia to attract foreign investment. This is particularly important as Australia is a net importer of capital and hence is reliant on such foreign investment to fund its further growth. While the corporate tax rate alone is not the only tax disincentive for Australia as a destination for foreign capital, it is clearly an area where we have been slipping and tangible improvements can be made, such as through the measures proposed in the Bill.

The case for a reduction in the corporate tax rate has been well made in Australia for a considerable period of time. As recently as 2012, the Business Tax Working Group (**BTWG**) was tasked by the then Government to reduce the corporate tax rate in a manner that was revenue neutral. While the BTWG was ultimately unable to agree to the "trade-offs" that would be made in order for such a corporate tax cut to proceed, in AFMA's view this was a function of the revenue-neutral aspect of the Terms of Reference provided by the Government to the BTWG, as opposed to a reflection on the importance of the reduction in the corporate tax rate. AFMA notes with approval the comments from the BTWG's Draft Final Report, which stated:

> "(a) reduced rate would lead to greater investment in Australia in the longer term, which would contribute to improved productivity and higher wages for Australians…Australia should have an ambition to reduce its company tax rate as economic and fiscal circumstances permit."

In our view, the case for a reduction in the corporate tax rate is more pressing then it was in 2012. This was highlighted by the 2014 International Tax Competitiveness Index, where Australia ranked as 24th out of 34 OECD nations in terms of corporate tax, primarily due to a corporate tax rate which ranked 26th out of the 34 countries. This may be compared to 2001, when Australia reduced its company tax rate from 36% to 30%, at which point its rate was the 9th lowest in the OECD.

As such, AFMA supports the passage of the Bill in its entirety. While the bulk of the AFMA membership will be in the last cohort to obtain any tax relief, we acknowledge the benefits from a reduction in the corporate tax rate in enhancing Australia's competitive position both regionally and globally.

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Thank you for the opportunity to make a submission to the Committee on the Bill. Please contact me with any queries.

Yours sincerely,

Rob Colquhoun
Director, Policy