

22 October 2010

Committee Secretary
Senate Select Committee on the Scrutiny of New Taxes
PO Box 6100
Parliament House
CANBERRA ACT 2600

Business
Council of
Australia



By email: newtaxes@aph.gov.au

Dear Sir/Madam

SENATE SELECT COMMITTEE ON THE SCRUTINY OF NEW TAXES

The Business Council of Australia (BCA) welcomes the opportunity to make this submission to the Senate Select Committee on the Scrutiny of New Taxes.

The BCA is an association of the CEOs of around 100 of Australia's leading corporations with a combined workforce of more than one million people. The BCA provides a forum for Australian business leaders to contribute directly to public policy debates. The BCA's goal is for Australia to be the best place in the world in which to live, learn, work and do business. Through research, communication and advocacy, BCA members pursue economic, social and environmental policy outcomes for the benefit of all Australians.

We consider that this inquiry into new taxes can make a helpful contribution to the understanding by the broader community about the importance of tax reform in underpinning Australia's productivity, growth and community wellbeing.

It is well known that Australia's growth prospects will be influenced by rates of investment, the take-up of productivity-enhancing technologies and growth in its workforce. Tax settings can impact on these drivers of growth through their effects on economic decisions and the allocation of resources. The design of the tax system is therefore crucial in driving incentives that reward productivity and innovation while at the same time providing governments with the funds needed to finance public spending on essential services.

Reflecting this, tax reform represents an ongoing and important part of the BCA's work program.

Tax reform

For the committee's information we have attached the BCA's final submission to the Henry tax review, *Unrealised Gains: The Competitive Possibilities of Tax Reform*

The committee may also be interested in the set of high-level principles for tax reform that the BCA released in March 2010 ahead of the release of the Henry review (attached). We believe that these principles provide a useful framework within which to consider the merit of various tax reform options. The principles are outlined below:

- 1. The tax system should support investment and growth through a reduced reliance on taxes on capital and income and a greater reliance on broad-based taxes on consumption.*
- 2. The tax system should be consolidated to contribute to the further growth and development of a seamless national economy, and should also enhance Australia's international competitiveness.*
- 3. The taxation framework should be characterised by stability and predictability. Any changes should be prospective, so as not to adversely affect existing investments or create perceptions of sovereign risk.*
- 4. Tax arrangements should be transparent, simple to administer and minimise the compliance burden imposed on taxpayers.*
- 5. The tax system should raise revenue through taxes that are less exposed to the volatility associated with the business and commodity cycles.*

Price on carbon

The inquiry may also consider specific new taxes including a carbon tax or another mechanism to put a price on carbon. The BCA considers that the most effective approach towards achieving emissions reduction is to support a global, market-based mechanism that puts a price on carbon and also includes incentives for research and development to drive low emissions technology and policies to enable improved energy efficiency.

Developing a long-term risk management strategy for reducing global greenhouse gas emissions is, however, one of the most complex challenges facing Australia's economy.

As with the principles-based approach for tax reform, a principles-based approach is warranted in considering policies which are put forward to reduce emissions in Australia. These principles should include that any emissions reduction policies:

- be at least cost to the economy;
- use market-based mechanisms where possible;

- maintain the reliability and viability of the electricity industry; and
- protect the competitiveness of our trade exposed and export industries.

It is essential that any long-term policy framework manages the risks of climate change, while minimising the economic cost. Such policy framework must be capable of review and adjustment, as our understanding of climate change and the role of greenhouse gases expands and solutions become available.

* * *

We hope that this framework for considering tax reform proposals assists in your inquiry.

We will continue to work on these important economic issues and contribute to the policy development process as it progresses.

Please contact me or Maria Tarrant, Deputy Chief Executive on (03) 8664 2664, if you have any questions or comments.

Yours sincerely



Peter Crone
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