

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

19 – 20 October 2011

Question No: SBT 656 - 658

Topic: Company Tax

Hansard Page: Written

Senator Bob Brown asked:

656. How does Australia's company tax rate compare to the weighted average company tax rate (including any social security taxes paid by companies) in the OECD?
657. Are Treasury aware of any studies of the compliance costs of taxation relative to revenue for small business compared to big business?
658. Around the Tax Forum there was discussion about allowing some carry-back of losses so that unprofitable companies can be refunded some previous company tax payments.
- a) Would this render company tax even more volatile, with collections dropping more in a downturn?
- b) While for companies that survive it merely "brings forward" the deduction from future tax payments, in the case of a company that makes a big loss and then closes there is a much larger cost to revenue as they would never have been able to offset the loss against future profits.
- Are there any estimates of the potential cost to revenue in a recession if carry-back of losses was allowed?

Answer:

656. The OECD weighted average company tax rate in 2006 was 36 per cent as reflected in the Australia's Future Tax System Report. Australia was below that weighted average with a company tax rate of 30 per cent, which will drop to 29 per cent from the 2012-13 income year.
657. Yes.
- On 12 November 2008, the Board of Taxation's scoping study on small business tax compliance costs was released by the Assistant Treasurer. As part of the scoping study, the Board of Taxation also commissioned the Australian School of Taxation (ATAX) from the

University of New South Wales to undertake a qualitative study to identify and describe small business compliance costs with a particular emphasis on tax compliance costs. The ATAX study can be found on the Board of Taxation's website.

The Treasury commissioned a report by PWC in 2009, 'Small-Medium Enterprises Total Tax Contribution', which examines the amount of taxes imposed on SMEs, the amount of taxes collected by SMEs and the compliance costs incurred in relation to their taxation obligations. This report is published on the Australia's Future Tax System website.

658 a)

Where a company is in a loss position and it has previously paid taxes in the relevant timeframe, then that company could carry back the loss and receive a refund of taxes already paid. While the cost of the refunds may mean that company tax collections fall further than they would have otherwise, because the losses carried back would not be available to offset revenues as business conditions improve, revenue is likely to recover more quickly during the recovery phase.

b)

Treasury is examining the impact of carry back on revenue for the Business Tax Working Group, which will report to the Government in March 2012..