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Senator Polley
Chair
Senate Finance and Public Administration Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
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Dear Senator

CPA Australia thanks the Senate Finance and Public Administration Committee for the opportunity to give evidence at the inquiry into the National Building and Job Plans. This letter provides a hard copy version of our organisation's statement provided by me via teleconference on Monday 9 February 2009 as well as some additional comments for the Committee's consideration.

CPA Australia evidence to the Senate Standing Committee on Finance and Public Administration

CPA Australia represents the diverse interests of more than 122,000 members in finance, accounting and business in 100 countries throughout the world. Our mission is to make CPA Australia the global professional accountancy designation for strategic business leaders.

One of the primary objectives we consider in commenting on or developing organisational policy positions is the objective of sustainable economic growth. This is accordingly factored into our processes when we develop positions on matters of interest for our members, the profession and the public at large.

Our 2009-2010 pre-budget submission (copy enclosed) was prepared with this objective in mind. In that submission CPA Australia made recommendations on possible options available to the government to tackle head on the impact of the global economic challenges we now face.

One appropriate economic lever at the disposal of government that we proposed in this regard was to consider bringing forward the whole, or part thereof, of the tax cuts already announced by the government for 2009/2010 and or 2010/2011.

The appeal of such an approach was for the following reasons:

1. Given the Government's objective to stimulate consumption:
 - the theory that many tax cuts are spent by taxpayers long before they even receive them; or alternatively
 - the 'trickle in' effect of tax cuts into the economy means there is a greater likelihood that the money will be spent and not used to, say, retire debt or increase savings; and
 - our view that such cuts are a sensible option, while recognising that they are not a panacea, and could also be part of a more comprehensive range of measures.
2. The cuts proposed by CPA Australia are not 'new' as they have already been announced and are planned to come into effect in the short to medium term (i.e. over 2009/10 and 2010/11) . In this regard, the IMF's argument that tax cuts are not the most appropriate mechanism given that they are very hard to undo is less applicable to Australia than perhaps some other jurisdictions.
3. The cost is already factored into the Government's forward estimates.
4. The tax cuts are relatively simple to implement as they require no new administrative procedures.

Comments on the proposed package

On the proposed \$42 billion stimulus package, the Nation Building and Jobs Plan, CPA Australia provides the following comments.

Given CPA Australia's members' strengths are in accounting, business and finance and not econometrics, at this point we have not invested in econometric modelling on issues such as how much government spending is enough, or in what particular areas such spending will gain the best multiplier effect. However, we note the following:

- the package is largely in accord with the International Monetary Fund's recommended approach of how to stimulate a slowing economy – e.g. a broad package approach with a significant spend on infrastructure;
- whilst the government has chosen at this point to not bring forward planned tax cuts, CPA Australia notes this option is still open should it be determined that further fiscal stimuli may be required in the coming months; and
- although there are no specific business incentives to encourage the uptake of low-emissions technology, the tax breaks provide an opportunity for investment in green-type assets, which is particularly important as businesses prepare for the introduction of the Carbon Pollution Reduction Scheme in 2010.

Additional comments

- CPA Australia is currently working with the Australian Taxation Office to ensure the tax bonus for working Australians is delivered on time whilst also ensuring the proposal does not impose undue compliance burdens on members of the profession who are tax agents. An unintended outcome may be that many outstanding prior year tax returns are also lodged, which may have a positive impact on the revenue, but it may also create additional workload pressures for practitioners;
- The small business tax break (\$2.7 billion) is supported in principle and should encourage additional investment by many businesses;
- CPA Australia continues to advocate for the government to consider introducing targeted tax incentives to encourage behavioural change towards greenhouse gas emissions. Such incentives could include special accelerated depreciation and investment allowances on the acquisition of lower emission-intensive assets and a special research and development concession to encourage research into new low-emissions technology. In our pre-budget submission, we argued that such targeted tax incentives would not only complement the proposed CPRS but would also have a stimulatory effect more generally; and
- We also recommended that reducing the disincentives to vary PAYG instalments could help improve business cash flows since such a change would build on the positive measure undertaken by the Government to reduce the February 2009 PAYG Instalment by 20 percent. Adopting this approach would have a longer term impact on cash flow but would have little impact on government revenue beyond the timing that revenue is received.

CPA Australia again thanks the Committee for the opportunity to present at the inquiry.

Yours sincerely



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