

Let's have a real debate  
about tax reform to keep  
Australia strong



The peak body for Australia's senior  
finance executives from the nation's major  
private and public business enterprises

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## There is a real risk future generations will live less comfortably than us

Australia has experienced more than two decades of economic growth and for Australians two decades of strong growth in real incomes per person. In earlier years, this growth was underpinned by productivity gains but lately this was achieved through the mining boom and record terms of trade.

The mining boom has now largely run its course, domestic growth has slowed, productivity growth has stagnated and the growth of real income per person is declining.

This comes at a time of unparalleled disruption driven by globalisation and emergence of global supply chains, changing demographics, with associated health, aged care and pension costs, and the all-pervasive effects of digital technology on business and our lives.

The intersection of a disruptive global environment coupled with a domestic imperative for growth means that Australia must engage in meaningful debate on the policy settings that are best suited to achieve long term sustainable growth.

The G100 recognises that designing efficient and effective Federal and State tax systems is a critical component of any long term solution. This is no easy task and will inevitably mean debate on trade-offs both within business and the community in general.

We must give future generations the best chance of success by engaging in a real tax reform debate.

The Government's Tax discussion paper "Re:Think" provides a starting point for this debate and the G100 is an active participant in this process.

**Neville Mitchell**

President – Group of 100

## What should Australia's future tax system achieve?

- Adequately fund the expenditures of government
- Encourage Australians to stay in the workforce longer
- Encourage a smarter and more innovative Australia by retaining talent and encouraging local entrepreneurship
- Attract foreign investment into Australia
- Encourage retirement savings but be fair across society
- Encourage Australian companies to invest and expand domestically and offshore
- Improve housing affordability across different generations
- Be robust to withstand tax avoidance but pragmatic so as to not hinder the legitimate activities of the compliant majority
- Be flexible to leverage off existing business systems and digitalised processes
- Be simpler, certain and fairer.

## What should be the focus of tax reform?

- The taxation system must be reformed in order to support economic growth and increases in participation and productivity, leading to more jobs and more opportunities for all Australians.
- To this end, the inefficient taxes that put Australia at a comparative disadvantage in a globally competitive environment for capital and labour should be targeted. The most inefficient federal taxes are the company income tax and the personal income tax.
- More efficient taxes that would generate a sustainable revenue base should instead be preferred. Amongst the most efficient are consumption taxes. This also has the

capacity to be further adapted to changes in the economy, to a much greater extent than company and personal income taxes.

- The current emphasis on direct taxes should therefore be reduced whilst the scope and rate of consumption taxes should be increased, in conjunction with well targeted, durable welfare measures for the less well off.
- All other taxes should be reviewed on the same basis and with a mind to reducing excessive compliance burden and uncertainty.

## What has to happen right now?

- Tax reform needs to be viewed in a 10 year time horizon. It must not be used to solve short term political imperatives. To this end, there needs to be bipartisan acknowledgement of the disruptive and global economic forces driving the need for tax reform and communication of these forces to the Australian public in a language they understand.
- Equally there must be bipartisan acceptance of the principles of good reform. Politicians should agree on:
  - the goals of effective tax reform and
  - the "price" of effective tax reform i.e. there will be winners and losers but Australia will win overall.
- All parts of society need to find their voice in the tax reform debate where:
  - the touchstone is the future health of the Australian economy;
  - nothing is "off the table" and nothing is a panacea;
  - there is acknowledgment that we may all need to give something up for the greater good of Australia;
  - the less fortunate are protected; and
  - politics are left at the door.



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