



6 May 2021

(Letter sent to several Ministers)

Parliament of Australia
PO Box 6022
CANBERRA ACT 2600

Increased investment and improved productivity must be central to government's fiscal strategy

We are writing to you as a united coalition of industry associations ahead of what shapes as a crucial 12 months starting with the 2021-22 Federal Budget. With reducing the unemployment rate to below five per cent a central focus of the government's fiscal strategies, business will be called upon to increase investment and productivity to drive employment and spending.

We are calling on the government to consider further reform options as part of the 2021-22 Federal Budget or in parallel with budget announcements as part of the government's ongoing fiscal strategies. We recommend that the government implement the following reform options as a matter of urgency:

- **Expand the availability of the temporary full expensing and loss carry back measures and make these measures a permanent fixture of the taxation law to avoid lost opportunities for jobs and investment.**
- **Lower the access threshold for the instant asset write-off.**
- **Ensure salary and wages costs are immediately tax deductible for capital-intensive industries.**
- **Remove barriers to business project restructuring by reforming the rules around transactions involving swaps of assets, permits and existing infrastructure in Australia, making them tax neutral.**
- **Continue to focus on removing, or at least reducing, distortions and barriers that impose unnecessary regulatory and tax burdens on business activity.**
- **Commit to long-term funding and support of skill retraining and development to create a more mobile and flexible work force to maximise active participation in the economy.**

Throughout 2020, the government delivered several temporary measures designed to combat the devastating impacts of COVID-19 on the Australian economy and we applaud the government on its decisive action that led to a swift recovery from Australia's first recession in 30 years. However, temporary measures can only provide short-term relief.

As outlined on 29 April 2021, a key part of the government's fiscal strategy is to continue to drive the unemployment rate to below five per cent. Businesses will play a key part in this.

Business can help the government lower unemployment if provided with the right conditions and policy framework. It is continued investment and improved productivity that will drive long-term sustainable job-creation and help achieve the government's objective of lowering unemployment to below five per cent.

The measures proposed in this letter are likely to have immaterial impacts on government revenues in the short-term by delaying the collection of tax, especially at a time where budget repair has been pushed back beyond 2022.

These timing differences could reduce fiscal burdens on projects at a minimal cost to government revenue and at the same time improve longer-term business confidence, investment, and productivity. The government will certainly reap the benefits with any revenue shortfalls recovered over the medium term as they will present businesses with the opportunity to invest and spend. This can be evidenced in the construction industry where for every dollar spent on infrastructure, there is a three-dollar benefit added to the wider economy.

Government's focus on light-touch regulation that is designed and applied in the most efficient and timely way, with least cost on businesses, is welcome. The removal of inefficient and duplicative regulation (particularly between the states and territories) should be prioritised, alongside Fringe Benefits Tax (FBT) reform and a broader review of regulatory interactions with business.

There is an understandable focus on household expenditure to drive recovery from the current downturn. The reality is that households will not spend without secure, well-paying jobs. Providing businesses with the long term and permanent recommendations outlined above will go a long way to achieving the government's key fiscal strategies that will drive Australia's economic prosperity for decades to come.

The recommendations outlined in this letter will provide a platform for increased investment and improved productivity in the economy. They have been previously advocated for through various engagements, including each of our 2021-22 pre-budget submissions to varying degrees. We would welcome the opportunity to discuss our recommendations with you further.

Yours sincerely



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