

26 September 2016

Mr Mark Fitt
Committee Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

via email: economics.sen@aph.gov.au

Dear Mr Fitt

Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016

The Australian Institute of Company Directors (AICD) is pleased to provide comments in response to the Senate Inquiry into the *Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016* (the Bill).

The AICD is committed to excellence in governance. We make a positive impact on society and the economy through governance education, director development and advocacy. Our membership of more than 38,500 includes directors and senior leaders from business, government and the not-for-profit sectors.

The AICD supports comprehensive tax reform as a priority economic issue for the nation. Australia's tax system is too complex and too reliant on inefficient taxes. Globally, we are falling behind as a competitive economy in which to work, invest and save.

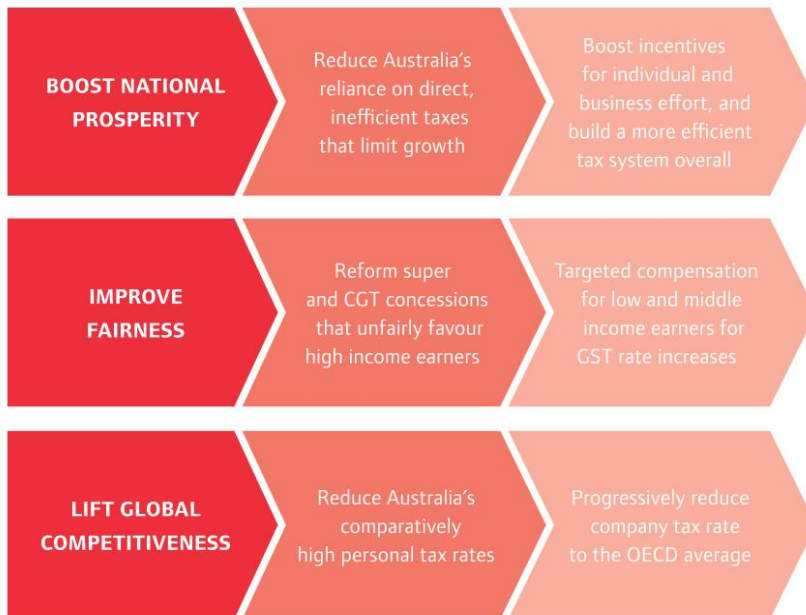
In March 2016 the AICD released "Governance of the Nation: A Blueprint for Growth" (the Blueprint) setting out a national reform agenda to drive sustainable productivity, governance and growth benefits for Australia. The Blueprint's six areas of reform include fiscal sustainability, where we propose both fiscal restraint and comprehensive tax reform.

The Blueprint recommends better control of expenditure and a return to pre-GFC levels of government spending as a percentage of Gross Domestic Product by 2020. As well as fiscal restraint, the AICD proposes a tax reform model that seeks to meet the following objectives:

- Boosting national prosperity and growth;
- Improving fairness in the tax system overall; and
- Lifting Australia's competitiveness as a global economy.

The AICD's tax reform scenario is set out in detail in Appendix A of the Blueprint (attached). We propose lifting the rate of the Goods and Services Tax (GST), substantial compensation for low and middle income earners to offset the GST boost, new incentives to drive reform of inefficient state taxes, fairness measures to reduce excessive benefits currently flowing to high income earners, across the board reductions in personal income tax rates and a staged reduction in company tax rates over time.

AICD Roadmap for Tax Reform:



Our scenario would provide for a more efficient and stable long-term funding base for government, improved incentives for entrepreneurialism, and a fairer system. Replacing inefficient taxes with more efficient alternatives delivers a significant boost to the economy. Working with Deloitte Access Economics the AICD has estimated the potential gain to national income from our package at almost \$20 billion¹. The AICD advocated a staged reduction in Australia's high company tax rate, although we prioritise GST reform (with compensation) to fund removal of inefficient state taxes and personal income tax cuts.

While the AICD strongly advocates comprehensive taxation reform, we also recognise that reducing company tax in itself is an important step in improving Australia's tax regime. As such, on balance we support passage of this Bill.

The current rate of company tax in Australia harms investment and is uncompetitive by international standards. At 30 per cent, Australia's corporate tax rate is higher than the average for the OECD (25 per cent) and regional averages for Oceania (26 per cent), Asia (22 per cent) and the EU (22 per cent). As the Henry Tax Review highlighted, reducing the company tax rate would increase Australia's attractiveness as a place to invest, boost innovation and entrepreneurial activity, and contribute to a lift in national incomes.

If you would like to discuss our views please contact me on lpetschler@aicd.com.au or 02 8248 8446.

Yours sincerely

LOUISE PETSCHLER
General Manager, Advocacy

¹ The 'prosperity dividend' estimate is approximate and indicative only of the direction and magnitude of the AICD's selected tax reform package on the Australian economy, measured by national income.