



TAX FORUM

4-5 October 2011

STATEMENT OF REFORM PRIORITIES

PARTICIPANT NAME AND POSITION

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ORGANISATION

Business Council of Australia

STATEMENT OF PRIORITIES

Around two or three pages, please. Please address both of these issues:

1. What are your priority reform directions for the tax and transfer system?

A major fiscal challenge is looming for Australia and we need to take steps to address this now, through a combination of a more efficient approach to government spending and by developing and implementing a more robust tax system. Australia needs to move towards a better tax system over the next 10 to 15 years. That system needs to be based on the following fundamentals:

- An approach to tax reform should start off with a recognition of the broader fiscal context and that greater reliance on the tax system alone will not be able to meet projected growth in government expenditures;
- Revenue adequacy should be the highest priority, including recognising that revenue adequacy is equally relevant to the states;
- Configuring the tax system to promote investment and growth and reward productivity, including to expand tax bases over time should be next in priority;
- The tax system must continue to be progressive and premised on the capacity to pay;
- Efforts must be made to improve the simplicity, certainty and transparency of the tax system;

Succeeding with difficult reform will be virtually impossible without good processes and good consultation. Steps must be taken beyond the tax forum that include both an agreed, formalised process for reform and a willingness to keep all options open in considering how to improve the tax system. The approach to reform should not be piecemeal or involve new, one-off taxes. Rather it is essential that a more effective, holistic approach to taxation arrangements in Australia be developed.



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2. How are your proposals financed over the short and longer term?

In response to these fiscal challenges and the inefficiency and lack of competitiveness of the current tax system three actions are vital.

- a) Australia must now begin to rein in government spending across all levels of government, while maintaining an acceptable and affordable social safety net;
- b) We need to clarify the roles and responsibilities between the Commonwealth and states, and between the government and the private sector; and
- c) We need to change the tax system so that it can raise revenue more effectively while encouraging growth, productivity and investment.

This system should be focussed on achieving a better mix of taxes and getting more out of existing tax bases rather than introducing new taxes. There is, however, a delicate balance between attempting to fine tune the existing system, and reforming it to get the incentives right so that sufficient tax revenues are generated from a stronger economy.

LIST OF ATTACHMENTS

The BCA will release a detailed paper on *Progressing Comprehensive Tax Reform in Australia* in the next few weeks.