



TAX FORUM

4-5 October 2011

STATEMENT OF REFORM PRIORITIES

PARTICIPANT NAME AND POSITION

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ORGANISATION

Parliament of Australia

STATEMENT OF PRIORITIES

A wide range of participants have been invited to the Tax Forum, and we can expect that many diverse ideas will be brought to the table. This statement aims to set out some of the guiding principles that should be at the heart of tax reform in Australia.

In the last parliamentary term, the Australian Government commissioned a major review of the Australian tax system, the first in a generation. The 2009 *Australia's Future Tax System* report ('the Henry Review') is a seminal document, which outlines the core principles that should be at the centre of tax reform.

As a nation, we need to identify the opportunities and challenges facing us and then target reforms to meet them. The Australian Government has identified the mining boom and climate change as major issues that require tax reform. We have introduced the Clean Energy Future legislation into parliament, and will soon be introducing legislation for a Minerals Resource Rent Tax.

Among the core principles for taxation reform are the following:

1. Taxes should be shifted away from mobile tax bases to immobile tax bases.
2. Taxation of savings should be more neutral and sustainable.
3. Polluters should internalise the social cost of environmental damage.
4. Disincentives to labour force participation should be reduced.
5. The tax system should be as simple as possible.

The Australian Government is already acting on these priorities. For example:

- we are shifting the tax burden from mobile to immobile tax bases by cutting business investment taxes and introducing a mining tax;



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- we are ensuring more neutrality and sustainability in savings decisions by increasing the compulsory superannuation contribution rate, increasing the incentive for low-income earners to contribute to superannuation, and cutting the tax rate on interest earnings;
- we are ensuring that polluters internalise the social cost of environmental damage by implementing a carbon price, and reforming the Fringe Benefits Tax regime on cars in order to remove the incentive to drive excess kilometres;
- we are reducing disincentives to labour force participation by phasing out the dependent spouse tax offset, making income tests more generous for single parents and introducing a pensioner work bonus; and
- we are simplifying the tax system by tripling the tax free threshold and replacing the ineffective entrepreneurs' tax offset with more straightforward measures such as an improved instant asset write-off.

The tax forum is a valuable chance to continue a national conversation about tax reform. That conversation takes place at a time when Australia's economic fundamentals are among the best in the world. Our unemployment rate is around half the level of the United States and the European Union, and government debt is a small fraction of that in most developed nations. Australia's geography has us in the fastest-growing region of the world, and demand for our exports is higher than it has been for a century. Not everyone is sharing in the benefits of the boom, but as a nation, we approach the task of reform from a position of strength.

I look forward to engaging in this discussion, guided by the principles outlined above.

LIST OF ATTACHMENTS

No papers attached.