



# TAX FORUM

4-5 October 2011

## STATEMENT OF REFORM PRIORITIES

### PARTICIPANT NAME AND POSITION

Garry Weaven

Chair - Industry Funds Management

Chair - Pacific Hydro

### ORGANISATION

Industry Funds Management Pty Ltd (IFM)

IFM is a global wholesale funds manager.

Pacific Hydro is a renewable energy company in Australia and Latin America.

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

### LIST OF ATTACHMENTS

Feel free to attach supporting papers if you wish. Please list them here.



# TAX FORUM

4-5 October 2011

## A. Super and Tax Cuts

- When personal income tax cuts are being contemplated they should, as a priority, be directed as a fixed sum payment to the individual's superannuation account.
- Exceptions to this would be:
  - Where a major purpose of the tax cut is to stimulate consumption expenditure; and
  - Where the cuts are intended to redistribute income to those on the lowest levels of income.
- The main object of the proposal is of course to address the long term savings needs of the nation given:
  - An ageing demographic; and
  - Inadequate levels of retirement savings.
- Subsidiary benefits include:
  - Switching expenditure patterns away from imported consumption goods and towards investment thus addressing the current account trade deficit; and
  - Further developing Australia's financial services leadership with a view to it becoming a major export service provider.
- This method of enhancing super savings has the added advantages of:
  - Retaining a high degree of discretion i.e. it can be scaled or withheld on an annual basis to reflect the government's macroeconomic fiscal objectives rather than being a fixed and permanent, recurring reduction in revenue;
  - Unlike contribution increases (which I also support to the 12% level) it does not increase the cost of employing labour and therefore does not require offsetting reductions in business taxes; and
  - It can be targeted at specific cohorts e.g. lower paid, those with intermittent work and superannuation payments.
- The adoption of such a policy would not require legislation but would benefit from the promulgation of specific guidelines and a major public information campaign in order to provide it with some longevity.
- The initiative is funded by the assumption of continuing progressive income tax scales, a degree of inflation and continued economic growth.

## B. Enhanced coordination of monetary and fiscal policy between Federal government, Reserve Bank (and APRA).

- Requires the re-thinking of protocols and a repudiation of the Costello – Macfarlane agreement around the “inflation only” target which I believe writes down the Reserve Bank Act.



# TAX FORUM

4-5 October 2011

- C. Review of distribution between States of Federal grants and capital expenditures to ensure States face up to their political responsibilities.
- To what degree are States appropriately raising taxes and royalties to fund their own needs.
  - To what degree are States involving the private sector in the provision of their infrastructure needs.