



TAX FORUM

4-5 October 2011

STATEMENT OF REFORM PRIORITIES

PARTICIPANT NAME AND POSITION

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ORGANISATION

PwC

PwC is Australia's largest professional services firm. PwC is a major stakeholder in Australia's taxation system, advising more Australian taxpayers on taxation law, policy and administration than any other organisation. Our clients include individuals, families, private and publicly held businesses, superannuation funds, governments and the not-for-profit sector.

STATEMENT OF PRIORITIES

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

It is critical for Australia to develop a more robust, efficient and competitive taxation system that will better meet our future challenges in a modern global economy.

This will require a holistic and long term approach to reforms that can transcend the political cycle and current fiscal challenges.

The principles that should drive this approach include:

- Providing stable and adequate sources of revenue for all levels of Government
- Simplifying the system for Federal and State Governments and all taxpayers
- Enhancing Australia's global competitiveness to encourage investment and growth

In our view, the specific priorities for attention are as follows:

- The number of taxes needs to be reduced. Revenue collection should be concentrated on a small number of key taxes, with other taxes that don't have a specific policy need removed over time (per ATFS recommendation 1).
- The overall mix of taxes needs significant adjustment. The reliance on company and personal income tax is increasing and there needs to be a shift in mix towards consumption taxes (including GST).



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- The state taxation system needs to be rationalised, with inefficient state taxes (in particular property and insurance duties) replaced with a new stable revenue source.
- Reform of the interface of transfer payment and the tax system is critical to improve equity and encourage workforce participation.
- The governance of the tax system needs to be improved to provide all taxpayers with a better experience in meeting their tax obligations.

The most important outcome of the Forum should be to agree a process to take the tax reform agenda forward over the next decade. Preferably, a suitably funded independent body should be established to oversee the long term tax reform agenda and to ensure progress is made against agreed objectives.

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

The AFTS review recommended a range of reforms that could be structured to broadly be revenue neutral. The more the AFTS recommendations are used as a 'shopping list', the greater the funding challenges will be.

The emphasis of tax reform needs to be on improving the tax system. This could involve reductions in personal and company income tax which would be funded by an increase in taxes on consumption.

Some increases in taxes will be difficult but these can fund decreases in and abolition of other taxes. This needs to be undertaken as part of integrated package(s) with long lead time and appropriate transitional rules.

LIST OF ATTACHMENTS

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