FSC FINANCIAL SERVICES COUNCIL

19 September 2016

Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Mr Fitt

RE: Senate inquiry into the Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016

The Financial Services Council (FSC) welcomes the request for submissions in response to the Senate Inquiry into the Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016.

The FSC has over 100 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. The industry is responsible for investing more than $2.7 trillion on behalf of 13 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the third largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

The proposed schedule of cuts to the company tax rates are essential to promoting the international competitiveness of Australian financial services and improving Australian productivity at a time where productivity growth has slowed to decade lows.

Company tax arrangements are becoming increasingly important as competition for foreign investment intensifies and businesses become more mobile. The average company tax rate in Asia is 22 per cent, compared to Australia's which is 30 per cent. The company tax rate in the UK will be lowered to 18 per cent in 2020.

Research demonstrates cutting company tax will drive capital into Australia for new enterprises, jobs and opportunities. Workers will be a substantial beneficiary of increased investment in Australia as increased labour productivity spurred by this investment will result in higher real wages.

Cuts to the company tax rate, and the benefits that accrue to Australian workers from such a move, should occur sooner. Further, cuts to the company tax rate should be deeper so that Australia can catch up with its Asian peers. The FSC notes its 2015 *Tax White Paper* submission which recommended that Australia's company tax rate should be immediately reduced to 25 percent and a medium term objective set to reduce the rate to 22 percent by 2020, to better align it with the average company tax rate in the Asian region.

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Alternative views questioning the well-established economic research base that outlines the benefits to the economy and workers from a company tax cut have failed to produce any alternative economic model or empirical evidence upon which to justify their claims.

Please do not hesitate to contact me via phone should you require any further information or analysis.

Yours sincerely

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Tax and Economics