

2.9 QW: The Federal Government is proposing to extend its small business tax cuts of 5 per cent to all businesses.

- a) Does your organisation support this reform?
- b) As one of Australia's most profitable businesses, how much tax would this mean NAB no longer has to pay?

Answer

- a) NAB supports the Government's Enterprise Tax Plan and lower rates of company taxation – for both small business customers and NAB as an entity – in order to support Australia's international competitiveness and promote investment. The Federal Government's 2015 Tax Discussion Paper found Australia's current 30% corporate tax rate 'is now significantly above the average rate of other countries' so NAB considers the plan will help improve the competitiveness of Australia's corporate taxation rate.

NAB supports the proposed reduction in the corporate tax rate which would bring Australia's corporate tax rate closer in line with peer countries with the current small-to-medium Organisation of Economic Co-operation and Development (OECD) economies having moved to

an average corporate tax rate of 23%.¹ This would support Australia as a destination for foreign capital and likely attract more mobile capital to Australia which would significantly support Australia's economic growth. More information about NAB's views on taxation policy is available in NAB's June 2015 submission to the Government's Tax Discussion Paper (Annexure G).

- b) As the full effect of the proposed reduction of the corporation tax rate will not take effect until 2026-27, it is difficult to project what NAB's likely profits and tax payable would be at this time. However, as an illustration, if NAB uses its 2014-15 income tax paid as a base line, NAB would expect that a reduction in the corporate tax rate to 27.5% would result in a reduction of tax of approximately \$225 million. The effect of the full reduction in tax rate to 25% would result in a reduction of annual tax payments in the vicinity of \$450m. The estimated figures are provided on a gross basis. A lower company tax rate would encourage stronger economic growth which would likely increase NAB's commercial activity, meaning the net reduction in tax would be lower than the estimated gross amount.

¹ PwC, *A Corporate Tax Reduction: the case for and against*, 11 December 2015, p1