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Senate Finance and Public Administration Committees
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Parliament House
Canberra ACT 2600

Office of the Chief Executive
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Dear Sir/ Madam

Subject: Inquiry into the outcomes of the 42nd meeting of the Council of Australian Governments (COAG)

CPA Australia represents the diverse interests of more than 155,000 members in 118 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

Our submission focuses on Item c in the Terms of Reference - that relate to taxation.

As the committee is no doubt aware, in 2015 the Australian Government embarked on a root-and-branch review of the taxation system. A key element of this White Paper reform process was the release of its Re:think discussion paper.

The terms of reference for this review were, amongst other things, designed to enable a mature conversation about all taxes at multiple levels of government. Also unlike the Australia's Future Tax System (AFTS) (the Henry Review) it proposed to rule nothing out – 'everything was on the table'. This was in contrast to the AFTS review whose ToRs specifically excluded the goods and services tax and also superannuation taxes.

In good faith our organisation invested significant resources – both financial and in human capital – to develop and put forward views that would both influence and encourage governments to collectively pursue a course of action that would address the challenges identified in the paper. These challenges include the ageing of Australia's population, Australia's over-reliance on income taxes at both individual and the corporate levels, our under-reliance on taxes on consumption, the challenges of the digital economy and increasingly mobile capital, changing consumption patterns, and Australia's competitiveness against fierce competition globally but particularly in the Asian region of which we are a part.

We acknowledge that the Commonwealth Government could not deliver on these broad objectives alone – it also required the commitment of the States and Territories - however it was up to the Commonwealth Government to drive the process.

By any measure the outcome has been disappointing. The White Paper process has been effectively abandoned – and instead rolled into a response as part of the 2016-2017 budget.

However the problems and challenges remain for Australia.

CPA Australia is not a party to the COAG discussions, and like the Australian public we can only observe what we see, such as COAG members' public statements about COAG agenda items, but also the COAG public communique that is released after each meeting.

We note from the joint communique that COAG welcomed the Commonwealth's initiative to help resolve the longstanding problem of vertical fiscal imbalance and improve state autonomy.

We also note that there was no consensus among states and territories (states) to support further consideration of the proposal to levy income tax on their own behalf.

However there was agreement amongst leaders to consider proposals to share personal income tax revenue with the states to provide them access to a broad revenue base that grows in line with the economy, reduce the number of tied Commonwealth grants to the states, providing them with greater autonomy and reducing administrative burden, and create flexibility for states to meet their ongoing expenditure needs.

COAG further agreed to continue pursuing initiatives that will enhance transparency by providing Australian citizens with a greater level of real time data on how government money is spent and on the outcomes and performance of government initiatives.

COAG agreed that this work, along with the work on broader opportunities for tax reform, including state tax reform, will be progressed by the Council on Federal Financial Relations, with a progress report to COAG at its next meeting.

These outcomes are encouraging and represent some progress. However the promise or commitment to continue pursuing initiatives is a far cry from holistic actionable tax reform.

We also note that the public commentary about state-based income taxes seemed divisive. It was also seen as a potential step back to the days of colonial Australia - or at least early post-Federation.

Politics at all levels seems to have again prevented the best outcome in the national interest.

Efforts by governments to provide the services demanded by the Australian people - for health, education, the age pension - while attempting to keep the budgets in the black will only become more challenging.

The overall outcome of the recent COAG meetings as they relate to tax reform is disappointing, and unacceptable.

Australia and Australians will be poorer for the inaction and failure to come to a workable agreement.

A copy of CPA Australia's submission to the Re:think review is enclosed for the committee's information.

Yours sincerely

Alex Malley FCPA
Chief Executive