CPA Australia Ltd
ABN 64 008 392 452

Level 20, 28 Freshwater Place
Southbank VIC 3006
Australia

GPO Box 2820
Melbourne VIC 3001
Australia

Phone 1300 737 373
Outside Aust +613 9606 9677
Website cpaaustralia.com.au

23 September 2016

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

By email: economics.sen@aph.gov.au

Dear Sir/ Madam

Subject: Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016

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. Against this background and in the public interest, we provide this submission in response to the inquiry into the Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016.

The bill proposes a series of legislative amendments that will:

- reduce the corporate tax rate for small businesses with an aggregated turnover of less than $10 million to 27.5 per cent for the 2016-17 financial year and progressively extend that lower rate to all corporate tax entities by the 2023-24 financial year; and further reduce the corporate tax rate in stages so that by the 2026-27 financial year, the corporate tax rate for all entities will be 25 per cent
- increase the small business income tax offset to 16 per cent of an eligible individual's basic income tax liability that relates to their total net small business income from the 2026-27 financial year
- enable small businesses with an aggregated turnover of less than $10 million to access most small business tax concessions, and
- enable small businesses with an aggregated turnover of less than $5 million to access the small business income tax offset.

Our comments focus in the main on the proposed corporate income tax cut. As submitted[1] by our organisation during the now defunct tax white paper process, there is clear empirical evidence that reducing the tax burden on businesses lifts productivity, and increases both their competitiveness and their capacity to expand, and encourages job creation. Further, the tax incidence of higher company taxes falls on workers as lower wages, and less jobs. For all of these reasons we support a lower corporate tax rate for Australia.

Reducing the company tax rate is crucial in a global market place where many competitor jurisdictions have reduced their corporate tax rate in order to both retain business and attract new investment. In this regard we remain very concerned about Australia's ability to compete for foreign capital where Australia's current headline corporate tax rate is 30 per cent – it is simply not competitive.

The Henry Tax Report suggested 25 per cent corporate tax rate as an appropriate target, and this bill provides a glide path to enable Australia to move to this objective for all companies over a 10 year period.

We are concerned that the ten year period is too long and circumstances may prevail such that it is never delivered on. But in the absence of any other formal proposal on the table at present we support the passage of the bill in its current form.

---

[1] https://www.cpaaustralia.com.au/~/media/corporate/allfiles/document/professional-resources/taxation/rethink-on-tax-reform.pdf?la=en

Notwithstanding our support for the bill we also reiterate our ongoing support for a more holistic review of Australia’s tax mix with a view to reducing Australia’s overreliance on income taxes from both corporate entities and individuals, eliminating Australia’s most inefficient taxes, and placing greater reliance on consumption taxes.

If you have any questions regarding this submission, please do not hesitate to contact me.

Yours faithfully

Paul Drum FCPA
Head of Policy