MINERALS COUNCIL OF AUSTRALIA

SUBMISSION TO ECONOMICS LEGISLATION COMMITTEE ON THE TREASURY LAWS AMENDMENT (ENTERPRISE TAX PLAN) BILL 2016

SEPTEMBER 2016

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EXECUTIVE SUMMARY

A more competitive corporate tax rate is an essential element to improving Australia's productivity performance, sustain future economic growth and increase living standards. A reduction in the corporate tax rate will improve Australia's competitiveness and prospects for economic growth.

Australia's corporate tax system is increasingly uncompetitive. Australia's 30 per cent company tax rate is too high for a capital hungry country reliant on foreign investment. It is now more than five points higher than the OECD average and almost ten points higher than the Asian region which is simply not sustainable if Australia is to effectively compete for new investment. As other countries continue to reduce their corporate tax rates, Australia's competitiveness continues to deteriorate.

The prime beneficiaries of a lower corporate tax rate will be Australian workers. The overwhelming consensus among economists, Treasury and international economic agencies including the OECD, is that a lower company tax rate will boost economic growth, wages and jobs.

Australia's mining industry faces a particularly heavy and rising tax burden. Mining tax ratios are at longer term highs with a combined industry wide company tax and royalty ratio close to 50 per cent. Official company tax data show mining to be among the most highly taxed industries in Australia.

Mining is a capital intensive industry, characterised by high-risk exploration outlays, large upfront capital commitments, long-life assets and long lead times to profitability. A more competitive corporate tax system is vital to ensure Australia can secure the benefits of the mining investment boom and capture the next wave of mining investment.

The Minerals Council of Australia (MCA) supports the Government's 'Enterprise Tax Plan' to progressively reduce Australia's corporate tax rate towards the current OECD average of 25 per cent. It is an important step in moving Australia away from its heavy reliance on income taxes and will help restore Australia's position over time with a globally competitive corporate tax rate.

A staged reduction implements a rate reduction in a fiscally responsible way. An economy-wide corporate tax cut for all businesses operating in Australia, small and large, avoids introducing distortions and additional complexity into the corporate tax system.

A number of myths been perpetuated in the recent debate on company tax. Suggestions that Australia is a 'low tax' jurisdiction contradict OECD data, which shows that the Australian company tax rate is higher than the average and that Australia is overly reliant on income taxes, including company tax. Claims that a company tax rate reduction will create a gaping hole in government revenue ignore offsetting revenue gains from increased tax collections stemming from the economic growth dividend and revenue costs pale in comparison to corporate tax revenues.

Both major parties have introduced and supported reductions in the corporate tax rate over the last 30 years in recognition of the economic benefits a competitive corporate tax system delivers for Australians. The last corporate rate reduction (to 30 per cent in 2001) moved Australia closer to the then OECD average and enjoyed bipartisan support. The policy arguments for a reduction in the company tax rate to restore it to the OECD average remain the same today.

The Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016 should be passed by Parliament.

1. MINERALS INDUSTRY TAXATION: THE FACTS

- Australia's minerals industry paid $165 billion in company tax and royalties in the decade to 2014-15. Official tax data shows mining accounted for 19 per cent of all corporate tax collections in 2013-14.
- Mining pays a high and rising effective tax rate, much higher than the all industries average.
- Mining is Australia's biggest export earner. The competitiveness of Australia's corporate tax system is a critical factor if Australia is to seize opportunities for mining investment and continue to contribute to future revenue streams.

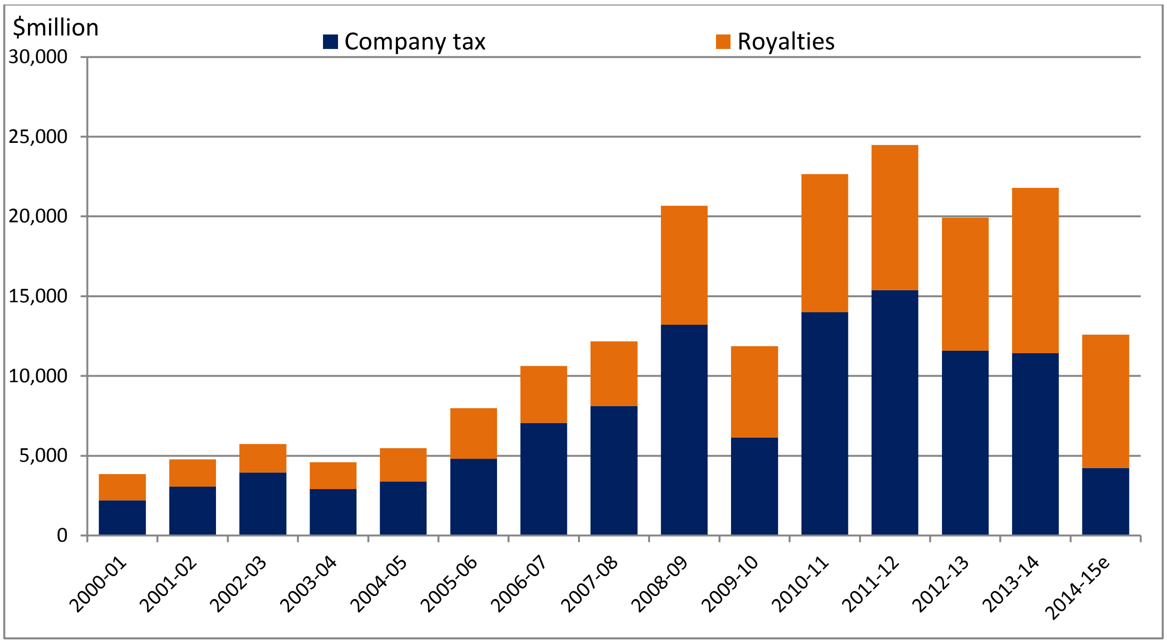
Mining makes a substantial tax contribution

The minerals industry makes a strong contribution to government revenues and that contribution has grown markedly over the past decade. The industry paid $165 billion in company tax and royalties alone in the decade to 2014-15 – around the same as federal spending on higher education and schools across the same period. [1]

ATO data shows that mining companies are some of Australia's largest corporate tax payers. Official data shows mining (excluding oil & gas) paid $11.2 billion in corporate tax in 2013-14, accounting for 17 per cent of all corporate tax collected.[2]

As a profits-based tax, company tax payments have closely followed industry profitability and commodity prices in recent years. Despite lower commodity prices compared to the peak of the mining boom, Deloitte Access Economics estimates the industry paid $12.6 billion in company tax and royalties in 2014-15.[3] The industry's contribution to government revenues has risen around fourfold since the start of the mining boom.

Chart 1: Minerals industry company tax and royalties (2001-02 to 2014-15)



Source: Deloitte Access Economics

The industry tax ratio is high and is rising

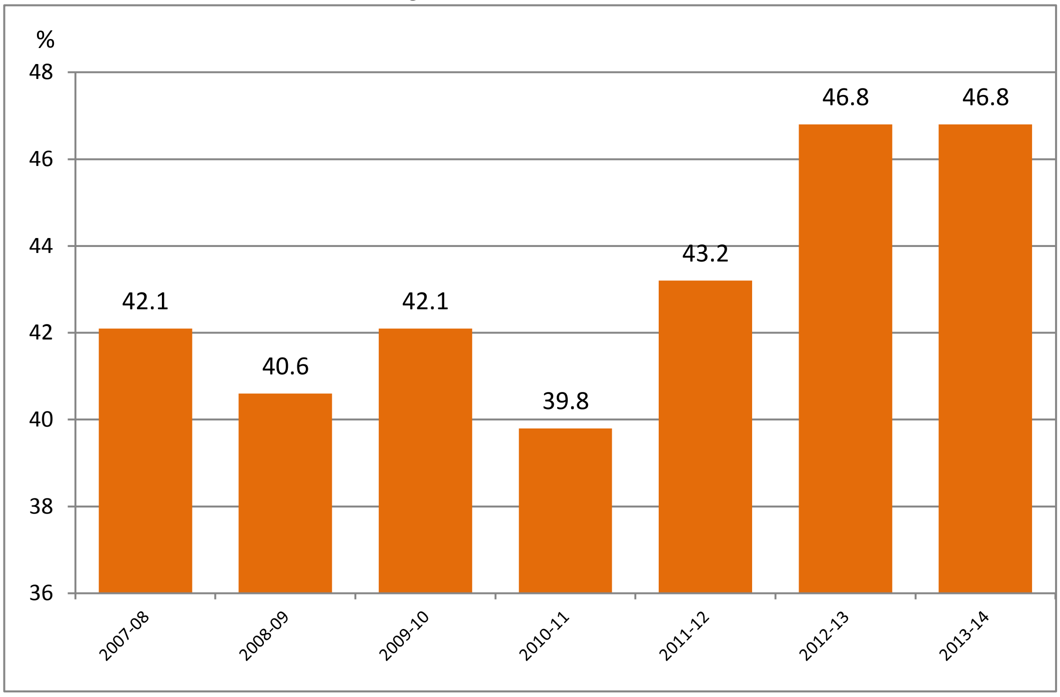
Mining is among the highest taxed industries in Australia with nearly half of every dollar in profit paid as royalties or company tax. The MCA's 2015 Minerals Industry Tax Survey found the minerals industry as a

[1] Deloitte Access Economics, *Minerals Industry Tax Survey 2015*, Report prepared for the Minerals Council of Australia, December 2015.
[2] ATO *Tax Statistics 2013-14,* March 2016.
[3] Deloitte Access Economics, op. cit.

whole faced a combined tax and royalty ratio of 47 per cent in 2013-14.[4] This is the equal highest ratio over seven years of survey data and well above the survey average of 43.1 per cent. The tax ratio has risen sharply from 40 per cent in 2010-11 as commodity prices have fallen and states have increased royalty rates.[5]

As prominent economist Chris Richardson points out, contrary to widespread perceptions: 'Not only did those tax ratios never fall far [during the boom], they've actually headed up over recent years'.[6]

Chart 2: Total tax ratio on mining



Source: Deloitte Access Economics

ATO company tax data shows that after refunds and credits, the net corporate tax rate on mining has been consistently above the average of total industries. Professor Sinclair Davidson of RMIT has shown that over the decade to 2012-13, the average effective company tax rate for mining (net corporate tax as a percentage of taxable income) has remained above the average of all industries. Hence, Professor Davidson concludes that 'the mining industry pays a substantial sum of money in corporate taxation and pays at a rate of close to 30 per cent of its taxable income'.[7]

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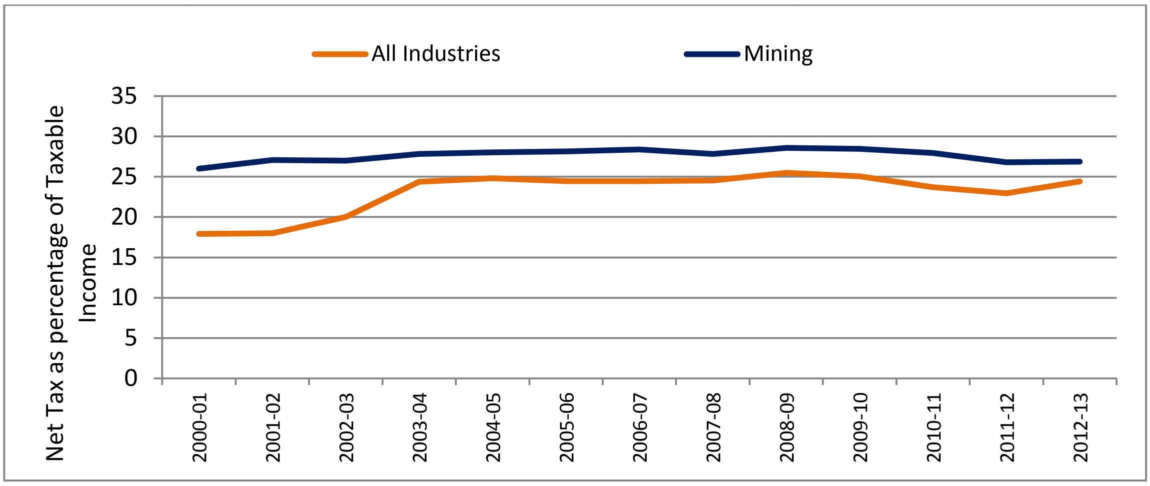
[4] Deloitte Access Economics, op. cit.
[5] Deloitte Access Economics, op. cit.
[6] Chris Richardson, Mining Tax Ratios Revisited, a public policy analysis produced for the Minerals Council of Australia, No. 8, March 2015, p. 7.
[7] Sinclair Davidson, 'Official evidence on mining taxes: 2015 update', MCA Background Paper, May 2015.

Chart 3 Average effective tax rates for all industries and mining



Source: ATO Tax Statistics

Australia is a relatively high tax mining jurisdiction

Australia's mining industry faces a heavy tax burden compared to competitor countries. A September 2016 study by Duanjie Chen and Dr Jack Mintz found Australia had the second highest tax burden on iron ore of nine countries examined (behind only South Africa).[8] A 2013 study by Goldman Sachs found that the tax take from Australian mining companies is within the top 25 per cent of global mining jurisdictions. Countries with lower tax burdens included major competitor countries: Brazil, Indonesia, Canada, Peru and the United States.[9]

The minerals industry in the Australian economy

In addition to being a large contributor to government revenues, over the last decade the industry has been a major source of growth, investment, jobs and higher living standards. As Australia's largest export earner (nearly 60 per cent of total exports) and the most globalised sector of the economy, the competitiveness of the corporate tax system is a critical factor if Australia is to seize opportunities for resources investment and contribute to future revenue streams.[10]

The industry is now four times bigger than it was before the boom ($641 billion in 2014-15 compared to $167 billion in 2000-01).[11] The latest national accounts figures show mining was largest industry contributor to economic growth in 2015-16 contributing more than one-quarter of economic growth (0.8 percentage points of the 3.1 per cent growth in trend terms).[12]

The nation's largest export earners in 2013-14 were iron ore ($75 billion) and coal – metallurgical and thermal ($40 billion). Gold is Australia's sixth largest export earner, worth $15 billion in 2015-16.[13] In the wake of the investment boom, the industry forms a larger part of Australia's economy. As Former Treasurer, The Hon Peter Costello AC recently remarked in the 2016 Australian Mining Industry Annual Lecture:

> The share of exports that is comprised by mining has jumped in the aftermath of the mining boom. Investment may have come off but production has substantially increased. Mining is carrying Australia's exports more than ever.[14]

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[8] Duanjie Chen and Jack Mintz, *A 2016 Update of Effective Tax Rates on Australia Mining and an Evaluation of Proposed Increases in Taxation of Iron Ore*, September 2016

[9] Goldman Sachs, *Resource Nationalism Poses Big Threat to Miners*, equity research paper, January 2013

[10] Reserve Bank of Australia, International Trade and Balance of Payments statistics, Table I1

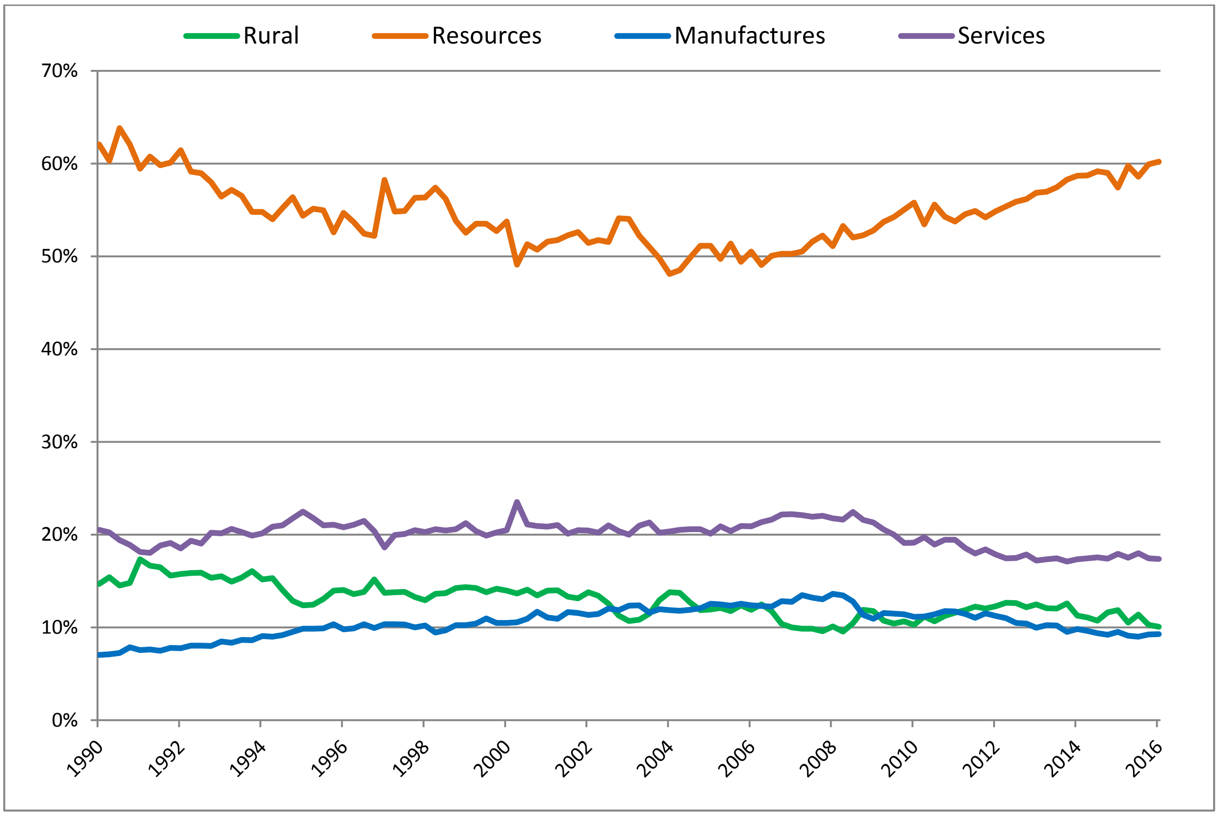
[11] Australian Bureau of Statistics, *Australian System of National Accounts, 2014-15*, ABS catalogue number 5204.0, released on 30 October 2015

[12] Australian Bureau of Statistics, *Australian National Accounts: National Income, Expenditure and Product, June2016*, ABS catalogue no. 5206.0, released on 7 September 2016

[13] Reserve Bank of Australia, *International Trade and Balance of Payments statistics*, Table I1

[14] The Hon. Peter Costello AC, Second Australian Mining Industry Annual Lecture, Melbourne, 12 September 2016

Chart 4: Sectoral shares of Australia's exports 1990-2016



Source: Reserve Bank of Australia

There are more than double the jobs in the industry than a decade ago and mining pays the highest wages (70 per cent higher than all-industry average).[15] More than 60 per cent of Australia's mining jobs are in regional and remote areas.[16]

Lower recent commodity prices do not alter the fundamental trends of rising minerals and energy demand. However, future revenue gains will increasingly rely on Australia getting the policy settings right to ensure we remain a competitive investment destination. The competitiveness of Australia's corporate tax system is a critical factor in determining Australia's capacity to seize future opportunities.

[15] ABS, *Average Weekly Earnings Nov 2015*, cat. No. 6302.0
[16] Australian Workforce Productivity Agency, *Resource sector skill needs*, Australian Government, Canberra 2013

2. AUSTRALIA'S CORPORATE TAX SYSTEM: SLIPPING COMPETITIVENESS

- Australia's company tax rate is not competitive. As other countries continue to reduce company tax rates, Australia's competiveness continues to slip.
- A more competitive tax system is vital for investment in highly capital-intensive industries such as mining which are characterised by multi-decade investments.

Australia's corporate tax rate is increasingly uncompetitive

Australia's 30 per cent company tax rate is far too high for a capital hungry country. Australia's headline company tax rate is more than five points higher than the OECD average (24.85 per cent). It compares to an average company tax rate of 22 per cent in the Asian region. Australia's rate is well above that in other countries such as Canada (26.5%), the United Kingdom (20%), Indonesia (25%) and Korea (24.2%).[17] The gap between Australia's company tax rate and our competitors continues to grow each year as many other countries reduce company tax rates.

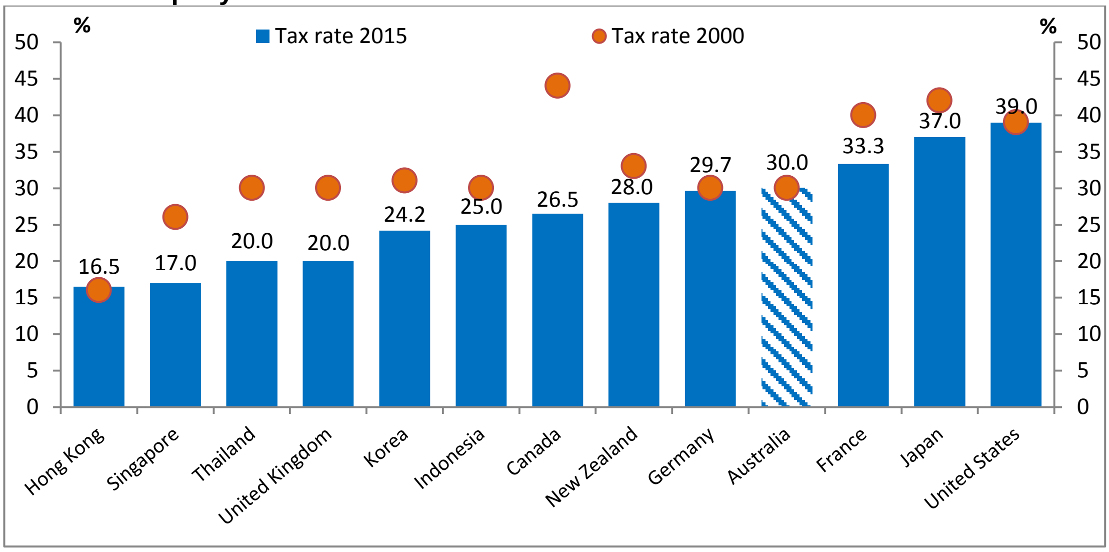
In March 2016, the MCA released a University of Calgary study on Australia's corporate tax system competitiveness led by Dr Jack Mintz, the President's Fellow at the School of Public Policy at the University of Calgary in Canada. The study found that Australia's company tax competitiveness has slipped substantially behind other countries over the last decade. The study included detailed analysis of both statutory company tax rates and marginal effective tax rates found that:

- Australia now has the sixth highest company tax rate among 34 OECD countries, compared with the 14th highest in 2005
- Australia has the fourth highest tax burden on new investment (services and manufacturing) among OECD countries and the 8th highest among the larger set of 45 countries examined.[18]

As Dr Mintz remarked: 'Australia has gone from the middle of the pack a decade ago to now imposing one of the highest tax burdens on capital investment'.[19]

While other countries have substantially reduced their corporate tax rates, Australia's tax rate has remained unchanged since 2001 when it was last reduced to more closely align the rate to the then OECD average of 30.8 per cent. Dr Mintz observed: 'Most industrialised countries have been reducing company income tax rates in the past decade and yet Australia has become stuck in the quick sand watching others pass by'.[20]

Chart 5: Company tax rates – international benchmarks



Source: Treasury, KPMG, Ernst & Young

[17] KPMG, corporate tax rates table.
[18] Jack Mintz et al., Growing the Australian economy with a competitive company tax, March 2016.
[19] Ibid, p. 15
[20] Ibid, p. 4

Other countries continue to reduce their tax rates even further including the UK (from 20 to 17 per cent), Spain (from 28 to 25 per cent) Norway (from 27 to 25 per cent) and Malaysia from 25 to 24 per cent).[21] Without reform, Australia's corporate tax competitiveness will continue to deteriorate.

Australia has a heavy reliance on company tax

Company tax makes a substantial contribution to Australia's revenues, much higher as a share of GDP and as a share of revenue than many other advanced economies.

Corporate tax accounts for 18 per cent total tax revenue in Australia – double the OECD average of 8.5 per cent in 2013. Australia has a high corporate tax to GDP ratio second only to Norway (with the two countries collecting large tax revenues from their resources sectors). Company tax as a percentage of GDP in Australia is 4.9 per cent in 2013, compared to the OECD average of 2.9 per cent.[22]

A more competitive tax rate is vital for mining investment

As noted above, Australian taxes on mining are high compared to other resource rich countries. While Australia is a major producer of a number of commodities, competition for global mining investment is fierce. Australia's capacity to capture the next wave of mining investment needed to develop Australia's minerals resources and to secure future export revenues depends on ensuring policy frameworks, including, critically, the taxation system, are internationally competitive.

Mining projects are highly capital intensive with considerable, high-risk exploration outlays, large upfront capital commitments, long-life assets, sophisticated technologies and long lead times to profitability. The scale of funding required means Australian mineral resources companies rely heavily on mobile global capital for investment. The headline corporate tax rate, tax imposts on corporate financing and tax depreciation rules all influence the competitiveness of the fiscal regime.

The unique characteristics of minerals resource projects make taxation crucial when mining companies evaluate new investment opportunities. These characteristics include:

- The exploration phases are lengthy, costly and inherently uncertain, and there is no income during these phases
- The development of a mine is capital intensive and requires specialist equipment and skills
- A mining project typically has a long life and therefore may be subjected to changes in the political regime or domestic circumstances
- Prices take larger cyclical swings than in most other economic sectors
- The scale of operations can be very large, with high replacement and incremental investment to maintain production
- Mining activities generally get more costly as a project matures because the resource becomes less accessible
- Mine closure and reclamation incur large costs even well after income has ceased.

As a 'price taker' in global commodity markets, costs cannot simply be passed on to customers, underscoring the need for a competitive tax system to attract investment. As the former Chairman of the Productivity Commission, Gary Banks, observed:

> No country's taxation system is an island. Relative expected returns across resource-prospective countries will be the main determinant of international investment and thus domestic activity in the long term.[23]

[21] Ernst & Young, Global tax policy outlook 2016
[22] OECD Statistics, revenue statistics - comparative tables
[23] Gary Banks, Chairman of the Productivity Commission, 'Australia's mining boom: What's the problem?', Address to the Melbourne Institute and the Australian Economic and Social Outlook Conference', 30 June 2011.

3. THE BENEFITS OF A MORE COMPETITIVE TAX RATE

- There is a clear link between company tax and levels of investment, wages and productivity. Serious economic studies consistently show that the burden of Australia's high company tax rate falls largely on wage earners and consumers.
- Workers will be the prime beneficiaries of a company tax cut. Increased investment secured through a lower company tax rate is linked directly to jobs and wages.
- Prominent economists and detailed economic research have refuted claims that only foreigners will benefit from a corporate tax rate cut.

The consequences for investment

Corporate tax is one of the most harmful taxes for economic growth. The Treasury 'Re:think' tax discussion paper ranked company tax as **the most harmful** Commonwealth tax as the economic cost of raising revenue through company tax is significantly higher than other Commonwealth taxes.[24]

A high corporate tax rate creates a drag on business investment and economic growth. Investment is a key driver of productivity, growth and wages in the economy. It supports productivity and the wages of Australian workers. Treasury research estimates that each additional dollar collected by way of company income tax reduces the living standards of Australian households by around 50 cents in the long run because of reduced investment.[25] This in turn impedes real wage growth.

As a capital importing and open economy, a high company tax rate is particularly damaging to Australia. This was underscored by a 2015 OECD report on Australia's growth prospects recommending a corporate rate cut as a key policy priority, stating that Australia had '…a high headline company tax rate, especially for a capital-importing country.'[26]

Former Treasury Deputy Secretary Rob Heferen outlined the consequences of a high corporate tax rate at the MCA's Biennial Tax Conference in 2015 noting that:

> High company tax means that Australia loses economic value because some investment opportunities become unviable. This is a particular issue for an open, capital importing economy such as Australia's, where the investors, especially foreign investors, can easily decide to allocate their capital to opportunities in other jurisdictions.[27]

Professor Freebairn has similarly remarked on the impacts for Australia:

> The larger stock of capital and expertise per employee facilitated by a lower corporate tax rate in time flows through to higher labour market returns. Indicative numbers for Australia indicate that at least 40 per cent, and as much as 60 per cent, of a reduction in the corporate tax rate would be distributed as higher labour income.[28]

Dr Jack Mintz has noted that studies show foreign direct investment flows growing by as much as 2.5 per cent from each one point reduction in the corporate tax rate. A 2016 Tax and Transfer Policy Institute working paper by Chris Murphy of Independent Economics found that of all the major taxes, company income tax is the least efficient, particularly for open economies. As stated by Chris Murphy, the study found that 'the (Government's) proposed cut is the top priority for tax reform' when compared with other options for reducing taxes.[29]

Australian wage earners will be the prime beneficiaries of lower corporate tax

The burden of an uncompetitive corporate tax rate is borne by Australian households and workers. The clear consensus in the economic literature, research by Treasury, international economic agencies and most economists finds that it is ultimately workers and households that carry the burden of corporate tax.

[24] Australian Government, Re:think: Tax discussion paper, p. 25
[25] Ibid, p.2
[26] OECD, Economic Policy Reforms 2015: Going for Growth, February 2015
[27] Rob Heferen, Australian Treasury, 'Tax reform and the economic back drop', 26 March 2015
[28] John W Freebairn, *Who Pays the Australian Corporate Income Tax?*, The Australian Economic Review, vol. 48, no. 4, pp. 357–68
[29] Chris Murphy, Efficiency of the tax system: A marginal excess burden analysis, Tax and Transfer Policy Institute - Working Paper 4/2016

Treasury has repeatedly stated that the burden of an uncompetitive tax rate will be borne by Australian households. Treasury's 'Re:think' tax discussion paper stated 'Recent research by the Treasury indicates that in the long run, much of the burden or incidence of company tax falls on Australian workers.'[30]

Former Treasury Secretary, Ken Henry said in 2011 that 'the consensus of public finance theorists is that in Australia, if the company income tax were to be cut, the principal beneficiaries will be workers'.[31] Former Treasury Deputy Secretary Rob Heferen stated at the MCA's 2015 Tax Conference that:

> … a higher level of investment should increase the capital available for existing labour (i.e. capital deepening) and thus increase labour productivity. This should, in turn, increase the demand for labour and consequently raise wages and consumption. Therefore, reducing company tax increases the prosperity of Australian workers.[32]

Dr Martin Parkinson as Treasury Secretary made the same point in September 2014 when he said that 'paradoxically then, wage earners may be big winners from a company tax cut.'[33]

Research by Dr Jack Mintz of the University of Calgary found that at least two-thirds of company tax is shifted onto labour in the form of higher prices, lower wages and lay-offs. He noted that 'Overall, a reduction in company taxes will lead to a more progressive tax system' and recommended that 'Australia should reduce the company tax rate to at least 25 per cent'.[34]

The myth that 'foreigners', not Australian workers will benefit from a lower corporate tax rate:

Dr Jack Mintz, President's Fellow of the School of Public Policy at the University of Calgary:
'It is a myth that company taxes are paid by the rich and powerful.'

Chris Murphy, Visiting Fellow, ANU, and Director, Independent Economics:
'First, in the long run the cut (the Government's proposed corporate tax cut) does not boost the after-tax returns received by foreign investors; it boosts Australian real wages instead, stimulating labour supply. Critics of the cut gloss over this benefit to workers. Second, the cut makes more Australia investment projects worthwhile, thereby boosting labour productivity.'

Treasury, March 2015 'Re:think' tax discussion paper:
'… in the long run, much of the burden of the incidence of company tax falls on Australian workers. While company tax is paid by companies, the burden is passed on to shareholders, consumers and employees.'

Martin Parkinson, Secretary of the Department of the Prime Minister and Cabinet and former Secretary Treasury:
'People will think, "well, why cut the corporate income tax because the benefits will go to the foreigners?" Actually, what you are doing is lowering the hurdle rate of return on future investment and, if you lower the hurdle rate of return in a competitive world, you will get more investment coming in and – depending on the income and price elasticity of the product and how competitive the markets are – the benefits of that will show up in lower prices for the consumers and ...in higher wages and more jobs for workers.'

Deloitte Access Economics:
'A lower company tax rate benefits Australians by providing more growth, investment, employment and higher living standards. Let's not ignore a good reform option simply because it may be hard to explain to the voters that they'll be the real beneficiaries.'

Misrepresentations of the corporate tax contribution of some companies and industries, based on flawed and partisan research, ignore the fact that Australia has some of the strongest anti avoidance rules in the world and that most companies do the right thing. The ATO itself has said as much:

> I have said many times that the majority of large corporates, especially Australian owned companies, pay the right amount of tax in Australia and are open and transparent in their dealings with us.

[30] Australian Government, Re:think: Tax discussion paper, p. 26
[31] Ken Henry, then Secretary of the Treasury, 'Remarks at The Tax Forum', 4 October 2011
[32] Rob Heferen, Australian Treasury, 'Tax reform and the economic back drop', 26 March 2015
[33] Martin Parkinson, then Secretary of the Treasury, speech to the Business Council of Australia/PWC tax reform forum, 11 September 2014
[34] Jack Mintz et al., Growing the Australian economy with a competitive company tax, March 2016

4. AUSTRALIA'S CORPORATE RATE: THE BUSINESS TAX REFORM PRIORITY

- An economy-wide corporate tax cut is the priority business tax reform to improve competiveness and economic growth prospects.
- A staged reduction for all businesses operating in Australia is fiscally responsible and avoids introducing distortions and additional complexity into the corporate tax system.
- Both sides of politics have acknowledged the importance of keeping Australia's statutory corporate tax rate in line with competitors in the past. It should again be the case in 2016.

Restoring Australia's corporate tax rate to the OECD average is the business tax reform priority. As noted above, the evidence shows that the corporate tax rate has a major bearing on investment, growth and job creation. This is particularly the case in capital importing economies like Australia which rely on foreign investment to maintain our living standards.

The MCA stated in its submission to the 'Re:think' tax discussion paper that the fundamental purpose of a taxation system is to raise revenue for the public provision of goods and services. While this is uncontroversial, it should seek to do so in the most growth-friendly way as possible and in such a way as to ensure a relatively sustainable and stable revenue base for Government.

MCA tax reform principles

Changes to the tax system should be guided by clear policy principles. The MCA recommended in its submission to the Re:think tax discussion paper that tax reform proposals be guided by high-level principles including, critically, that reform proposals:

- Enhance Australia's productivity performance, workforce participation and international competitiveness
- Reform proposals should not adversely affect existing investments or create perceptions of sovereign risk. A stable, competitive tax system encourages investment, especially in highly capital-intensive industries characterised by multi-decade investments
- Be consistent with a strong budgetary position into the future and seek to support a sustainable and stable revenue base
- Reduce tax complexity and minimise administrative and compliance burdens as far as possible.

The 'Enterpise Tax Plan'

The MCA's 2015 submission to the 'Re:think' tax process nominated a lower corporate tax rate as the priority tax reform to improve the competitiveness of our corporate tax system because it is an essential ingredient to economic growth and continued economic growth provides a foundation for higher taxation revenues into the future.

By bringing Australia's corporate tax rate more closely into alignment with the OECD average, the Government's 'Enterprise Tax Plan' is an important reform to reduce Australia's corporate tax burden over a ten year period. While a phase in over a shorter period of five years would be optimal, the legislation provides an unequivocal signal to investors that Australia is committed to improving its tax competiveness.

A phased reduction in the company tax rate to the OECD average as provided by the legislation will recover ground lost by Australia since the last corporate rate reduction in 2001-02, which brought Australia's tax rate into alignment with the then OECD average (30.8 per cent). It represents a productivity-enhancing shift in the tax mix by reducing reliance on taxes that have a higher cost to growth and productivity. It will help Australia achieve sustainable growth over the long term through increased investment.

A reduction in the company tax rate will help encourage companies considering investment in Australia over the medium to longer term to bring forward investments. Australia is the twelfth largest economy in the world, and heavily reliant on foreign capital to fund economic development and growth.[35] Its tax system needs to be more competitive in an increasingly globalised world, where capital is more mobile than ever.

Importantly the proposed rate cut should apply to all corporates, small and large, to bring the company tax rate back into alignment over time. Different tax rates based on business size or turnover introduce distortions and complexity into the tax system. Any alternative to an economy wide corporate tax cut is a second best option and would not have the same impact on Australia's competiveness.

The revenue cost of the proposed corporate rate cut is proportionate and responsible

The cost of the proposed company tax cut is responsible and proportionate. Research undertaken by Deloitte Access Economics in June 2016 showed that company tax collections will reach $1.114 trillion over the next decade. The analysis revealed that the proposed company tax reductions will account for just 4.3 per cent of total company tax collections over the next decade. The proposed company tax cut amounts to just 0.8 per cent of total revenue collections over that period.[36]

Claims as to the revenue cost are exaggerated. The Treasury has noted that a significant portion of the cost of a company tax cut is offset through higher economic growth stating that 'a significant portion (ranging from 35-50 per cent) of the direct cut in company tax revenue is recovered through higher tax receipts on from increased economic activity.'[37]

Chris Richardson of Deloitte Access Economics has rebuffed the argument that the company tax rate should not be cut until the Budget has healed stating:

> ...tax reform is about raising the same dollars in a way that boosts the productive capacity of the economy, so that too is a false objection. And other nations are already taking action, including a number of our Asia Pacific neighbours and key trading partners.[38]

A responsible bipartisan approach to corporate tax reform has worked in the past

The importance of a competitive corporate tax rate has been recognised by governments past and present. Australia has shown in the past that it can be done in a way that maintains a high level of equity in the tax-transfer system. Simon Crean, as Shadow Treasurer in 1999, noted in support of the last corporate tax rate cut in Australia: 'Labor has consistently supported business tax reform and we have consistently argued for a bipartisan approach to achieve it.'[39] Cutting the company tax rate was good policy in 1988, 1993, 2001 and 2010. It remains good policy in 2016.

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[35] World Bank, 2015; http://data.worldbank.org/data-catalog/world-development-indicators
[36] Minerals Council of Australia, media release: New Analysis Highlights Trillion Dollar Company Tax Contribution, 1 June 2016
[37] Kouparitsas, Prihardini and Beames, Treasury Working Paper: Analysis of the long term effects of a company tax cut, May 2016
[38] Deloitte, Shedding light on the debate Mythbusting tax reform, September 2015
[39] Hansard, House of Representatives, 24 November 1999