

**Question on notice no. 294**

**Portfolio question number: 294**

**2017-18 Supplementary budget estimates**

**Economics Committee, Treasury Portfolio**

**Senator Chris Ketter:** asked the Department of the Treasury on 25 October 2017—

(1. In response to Senate Estimates questions (25 Oct 2017) , it was suggested that passive investment companies are less likely to actively invest in jobs and new capital. Does Treasury hold the view that one argument to deny eligibility for the lower tax rate for passive companies is that they are not as likely to be investing in new capital or directly creating jobs?

**Answer —**

See attachment.

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**Treasury Portfolio**  
Supplementary Budget Estimates  
2017 - 2018

**Division/Agency:** Corporate and International Tax Division  
**Question No:** 294  
**Topic:** Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017  
**Reference:** Written  
**Senator:** Chris Ketter

**Question:**

1. In response to Senate Estimates questions (25 Oct 2017), it was suggested that passive investment companies are less likely to actively invest in jobs and new capital. Does Treasury hold the view that one argument to deny eligibility for the lower tax rate for passive companies is that they are not as likely to be investing in new capital or directly creating jobs?

**Answer:**

Treasury's economy-wide modelling suggests a cut in the corporate tax rate to 25 per cent would generate a sustained increase in the level of GDP of just over 1 per cent. The majority of the gains from a company tax cut are expected to flow to Australian workers as increases in real wages. This modelling did not differentiate between active and passive companies.

A direct consequence of a lower company tax rate is that all Australian companies will have more profits after tax. For active companies, this means they have more money available to invest in their own businesses. For passive companies, this means they have more money available to invest in other businesses.

The changes introduced by the *Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017* will ensure that small and medium companies get access to the lower company tax rate first. These companies employ over 4.7 million Australians.