

QW30: 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 Westpac no longer has to pay?

Answer:

- a) In our submission to the Australian Government's Tax Discussion Paper, Westpac advocated for a reduction to the corporate tax rate, over time. Accordingly, Westpac supports the proposal to progressively extend the lower corporate tax rate to all companies. In our view, a lower corporate tax rate should lead to greater economic activity, greater sustainability and will improve the longer term stability of the corporate tax base. A lower corporate tax rate also protects the current corporate tax base by reducing incentive for Australian businesses to conduct activities overseas and attracting new foreign investment.
- b) Based on the current legislative proposal before Parliament, the impact of the 25 per cent corporate tax rate on Westpac's tax payable will not take effect until the 2026/27 financial year. However, using the year ended 30 September 2015 as a reference point, Westpac's Australian tax expense using a 25 per cent corporate tax rate would be approximately \$2.36 billion. This tax amount is \$470 million lower than that payable at a rate of 30 per cent. A lower tax rate would also see a corresponding reduction in the value of imputation credits distributed to domestic-based shareholders (approximately 77 per cent of Westpac

shareholders are domestic-based). This significantly reduces the net cost to Government revenue.