

APPENDIX 3

Terms of Reference

Australia's future tax system¹

Objectives and scope

1. The tax system serves an important role in funding the quality public services that benefit individual members of the community as well as the economy more broadly. Through its design it can have an important impact on the growth rate and allocation of resources in the economy.
2. Raising revenue should be done so as to do least harm to economic efficiency, provide equity (horizontal, vertical and intergenerational), and minimise complexity for taxpayers and the community.
3. The comprehensive review of Australia's tax system will examine and make recommendations to create a tax structure that will position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century and enhance Australia's economic and social outcomes. The review will consider:
 - 3.1. the appropriate balance between taxation of the returns from work, investment and savings, consumption (excluding the GST) and the role to be played by environmental taxes;
 - 3.2. improvements to the tax and transfer payment system for individuals and working families, including those for retirees;
 - 3.3. enhancing the taxation of savings, assets and investments, including the role and structure of company taxation;
 - 3.4. enhancing the taxation arrangements on consumption (including excise taxes), property (including housing), and other forms of taxation collected primarily by the States;
 - 3.5. simplifying the tax system, including consideration of appropriate administrative arrangements across the Australian Federation; and
 - 3.6. the interrelationships between these systems as well as the proposed emissions trading system.

1 Department of the Treasury, Australia's future tax system – Report to the Treasurer – Part One, December 2009, pp vii–ix.

4. The review should make coherent recommendations to enhance overall economic, social and environmental wellbeing, with a particular focus on ensuring there are appropriate incentives for:

4.1. workforce participation and skill formation;

4.2. individuals to save and provide for their future, including access to affordable housing;

4.3. investment and the promotion of efficient resource allocation to enhance productivity and international competitiveness; and

4.4. reducing tax system complexity and compliance costs.

5. The review will reflect the Government's policy not to increase the rate or broaden the base of the GST; preserve tax-free superannuation payments for the over 60s; and the announced aspirational personal income tax goals.

6. The review's recommendations should not presume a smaller general government sector and should be consistent with the Government's tax to GDP commitments.

7. The review should take into account the relationships of the tax system with the transfer payments system and other social support payments, rules and concessions, with a view to improving incentives to work, reducing complexity and maintaining cohesion.

8. The review should take into account recent international trends to lower headline rates of tax and apply them across a broader base, as well as domestic and global economic and social developments and their impact on the Australian economy.

9. The review will also incorporate consideration of all relevant tax expenditures.

Composition and consultation

10. The Review Panel will be chaired by the Secretary to the Treasury, Dr Ken Henry AC and will also comprise Mr Greg Smith (Australian Catholic University); Dr Jeff Harmer (Secretary of the Department of Families, Housing, Community Services and Indigenous Affairs), Mrs Heather Ridout (Australian Industry Group CEO); and Professor John Piggott (University of New South Wales).

11. The Review Panel will be supported by a working group from within the Treasury, with representation from the Department of Families, Housing, Community Services and Indigenous Affairs, and drawing on other Australian government and state agencies as appropriate.

12. The Chair may task members of the Review Panel to oversee programs of work related to their field of expertise.

13. The Review Panel will consult the public to allow for community and business input.

14. The review will also, where necessary, draw on external expertise and shall have the cooperation of state governments and their Treasuries as well as relevant COAG working groups.

15. The Minister for Families, Housing, Community Services and Indigenous Affairs will provide input on issues related to transfer payments, family assistance and retirement incomes.

Structure and timing

16. The review process will be conducted in several stages. These will follow the release of an initial discussion paper by Treasury on the architecture of the tax system and an examination of the existing tax rates and bases (excluding the GST). The paper will be released by the end of July 2008.

17. The Review Panel will provide a final report to the Treasurer by the end of 2009. The Government will respond in a timely way to the tax review's recommendations as they are released.