

Business Tax Working Group Discussion Paper

August 2012

On Monday 13 August, the Business Tax Working Group (BTWG) released a discussion paper that considers a revenue neutral cut to the company tax rate.

The terms of reference for the Business Tax Working Group, are available on their website, www.treasury.gov.au/Policy-Topics/Taxation/BTWG. The discussion paper will also be published there in the coming days.

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The Discussion Paper

The discussion paper aims to stimulate discussion, debate and feedback on Company Tax reform. In order to stimulate such discussion, the paper considers:

- the economic context for reform;
- the case for a lower Company Tax rate;
- international trends; and
- options for broadening the Company Tax rate base

The paper also includes provides a list of “consultation questions” for stakeholder consideration:

- *Corporate tax rate cut*

A. In the context of your business, or businesses that you are familiar with, how would a cut to the corporate tax rate affect decisions about:

- i. undertaking new investment?
- ii. choice of business structure?
- iii. where new investment is undertaken?
- iv. how new investment is financed?

- *Base broadening options*

B. What base broadening options would you support in order to fund a cut to the company tax rate?

C. In the context of your business, or businesses that you are familiar with, how would any of the base broadening options affect decisions about:

- i. undertaking new investment?
- ii. choice of business structure?
- iii. where new investment is undertaken?
- iv. how new investment is financed?
- v. undertaking research and development?

D. In the context of your business, or businesses that you are familiar with, for any of the base broadening options:

- i. would you expect compliance costs to change?
- ii. what would you consider to be the most important transitional issues?

E. Are there any alternative base broadening options, or refinements on existing options, that you would recommend that the Working Group consider?

- *Allowance for corporate equity*

F. Do you see merit in Australia exploring the introduction of an allowance for corporate equity in the longer term?

G. What kind of information would be necessary to explore an allowance for corporate equity as a longer term option?

Background – Company Tax Reform

The Government initially proposed a cut in the company tax rate under its Minerals Resources Rent Tax (MRRT) package. However the cut was abandoned at this time after both the Greens and the Coalition refused to support the enabling legislation, preventing its passage through Parliament.

In May 2012, while delivering the 2012-13 Federal Budget, the Government reaffirmed its commitment to lowering the company tax rate, confirming that it was on the Government's agenda for the coming year.

In June 2012, the Government asked the BTWG to prioritise the consideration of a cut to the company tax rate. Specifically, the Working Group was asked to determine whether it is possible to fully fund a reduction in the company tax rate by further broadening of the business tax base, thereby making it revenue neutral.

A cut to the company tax rate had previously been recommended in the Australia's Future Tax System Review conducted by the Rudd Government in 2008.

Background – The Business Tax Working Group

The BTWG was established following the October 2011 Tax Forum. The terms of reference ask the Working Group to make recommendations on how the business tax system can be improved to make the most of the challenges and opportunities arising from transformations in the broader economy, including the patchwork economy, and that aim to increase productivity while delivering relief to struggling businesses.



The BTWG consists of nine members, including a Chair, with members drawn from a broad range of backgrounds, including business groups, the tax advisory profession, academia, the union movement and the public service. The members are:

Chris Jordan (Chair)
Teresa Dyson
Jennifer Westacott
Frank Drenth
Tim Lyons
Rob McLeod
Peter Burn
John Freebairn
Rob Heferen

Full biographies of the BTWG members are available [here](#).

In April 2012, the Working Group presented a report to the Treasurer recommending the implementation of a loss carry back measure for business, following its investigation into improving the tax treatment of business losses. The Government used the 2013-2013 Federal Budget to implement this recommendation.

Next Steps

Following the release of the discussion paper, a consultation process will begin. Stakeholders are invited to make written submissions. The BTWG will also meet with various stakeholder groups throughout August and September.

The Working Group plans to release a draft of its final report to the Treasurer in late October 2012. That report will include a summary of the key themes from consultation on this discussion paper. The Working Group's final report to the Treasurer is due in December 2012.

Participating in the Consultation Process

Written submissions in response to this discussion paper are requested by close of business Friday 21 September 2012. Submissions should be provided to:

Business Tax Working Group Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600
Email: BTWG@treasury.gov.au
Phone: (02) 6263 3115

All information (including name and address details) contained in submissions will be made available to the public on the Treasury website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should



provide this information, marked as such, in a separate attachment. Legal requirements, such as those imposed by the *Freedom of Information Act 1982*, may affect the confidentiality of your submission.

For more information on participating in a meeting with the BTWG, contact the Secretariat using the details above.