

On 28 July 2011 the Federal Government restarted its tax reform agenda with the release of a discussion paper to inform public debate on priorities and directions for continuing tax reform in the lead up to the tax forum to be held on 4-5 October 2011. The tax forum will involve 156 participants and 46 observers.

The discussion paper outlines a range of ideas that were raised in the Henry Tax System Review that are likely to be discussed at the tax forum.

Tax reform, or talk fest?

The 42-page discussion paper includes a section on each of the six sessions that will be held at the forum:

- Personal tax
- Business tax
- State taxes
- Environmental and social taxes
- Tax system governance
- Transfer payments

Importantly, the Treasurer has ruled out raising the GST or revisiting the carbon tax or mining tax.

Personal tax

The discussion paper confirms that it is not the Government's policy to apply a discount to negative gearing deductions or remove the benefits of imputation.

The discussion paper does suggest a number of areas for review in the personal tax session, including:

- Are there ways to further reduce any disincentives to workforce participation?
- Are there opportunities to make policy changes to further simplify taxpayers' interactions with the personal tax system?

- What is the best way for the personal tax system to be integrated with the business tax system in order to maintain the integrity and fairness of the overall system?
- Are there opportunities to improve the rules for superannuation during the drawdown phase?
- Are there unintended or inappropriate concessions in the tax system that could be removed to help fund priorities elsewhere? Are there better ways to structure and deliver concessions?

Business tax

Areas for discussion in the business tax session are proposed to include:

- What is the appropriate business tax system for Australia to maintain business tax revenue and economic growth?
- Are there ways to reform the business tax system that can assist Australia to meet the challenges of mining boom mark II and make the most of the opportunities from the shift in global economic weight from West to East?
- Should the company tax rate be lowered further, and if so, what

other reforms within the business tax system might be used to fund this?

- Are there ways to further simplify business interactions with the tax system, especially for small business?
- Should there be more symmetrical treatment of tax losses?
- Should further consideration be given to potential longer term directions for the business tax system, such as deductions for equity financing?
- Are there unintended or inappropriate concessions in the business tax system that could be removed to help fund priorities elsewhere?

State taxes

(stamp duty, payroll tax, GST distribution, etc)

Areas for discussion in the state taxes session are proposed to include:

- Are there opportunities for the states to replace stamp duties on property conveyances with reformed land taxes?
- Should states abolish insurance taxes? If so, how could that revenue be raised more efficiently?
- How might the reform or greater harmonisation of state payroll taxes be pursued?
- Do GST sharing arrangements create the right incentives for states to make their tax bases more efficient?

Environmental and social taxes

(road transport taxes, alcohol and tobacco taxes)

Areas for discussion in the environmental and social taxes session are proposed to include:

- Should Australia consider ways to more closely link road charging to the impact users have on the condition and upkeep of roads?
- Is there a case to more closely link road charging to the impact users have on the level of congestions on particular roads?
- Are there aspects of other tax arrangements that create unintended incentives for adverse environmental outcomes, or ways in which governments could use specific taxes to ensure that people take appropriate account of environmental impacts in their decision making?

Tax system governance

Areas for discussion in the tax system governance session are proposed to include:

- How might the greater use of technology and improved coordination and management of information be used to improve taxpayers' experience with the tax and transfer system?
- What are the opportunities and challenges to further advance pre-filing of tax returns?
- Should the Government pursue the development of online tax and transfer client accounts?

Transfer payments

(pensions, family payments, etc)

Areas for discussion in the transfer payments session are proposed to include:

- Are there ways to make the transfer system simpler for individuals and families?
- How should family payments and child care assistance support parents' choices about how to balance and share work and caring roles at different stages in their children's lives?
- Are there unintended or inappropriate concessions in the transfer system that could be removed to help fund priorities elsewhere?

The verdict

Reading through the discussion paper, one cannot help but sense the focal point of the Federal Government's tax and welfare system reform agenda is to address equity issues in the system, rather than to address structural defects which currently affect the system's ability to operate efficiently.

Accordingly, only time will tell whether the tax forum will be looked back at as an integral step in reforming Australia's tax and welfare system or merely an ill-conceived, albeit well-intentioned, initiative which suffered the same fate as the 2020 Summit and Citizens Assembly on climate change.



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