



# EVERYONE WINS WITH THESE CUTS

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By *ACCI Chief Executive Peter Hendy*

The Australian business community will welcome the plan by the coalition for significant tax cuts over the next few years, including a goal of reducing the top marginal tax rate to 40 per cent by 2012 .

This is a major step towards implementing the Australian Chamber of Commerce and Industry's policy to reduce the top two marginal tax rates to 30 per cent over time.

Meanwhile, the tax changes for low-income earners will significantly increase labour force participation, which is very important with the current labour shortages faced by many businesses. We totally reject the argument that meaningful tax reform is inflationary.

Modelling by Treasury shows that previous tax cuts since 2000 have resulted in increases in participation of 250,000. Without these tax cuts, labour shortages would have been much more severe, causing excessive wages growth and inflation. In addition, tax reform increases investment, skilled migration and investment in education and training, which all reduce inflationary pressures.

The importance that business places on tax reform is revealed in the latest ACCI Pre election survey, covering 1331 businesses from all over Australia, including 644 small businesses.

The survey shows that tax levels and tax complexity are the third and fourth most important issues respectively (out of 78) for Australian business, after recruiting employees with appropriate skills and economic management. This is only a slight fall from the 2004 survey when tax levels and tax complexity were the top two issues.

The pre-election survey shows the most important federal tax for business is personal tax with 71 per cent of businesses reporting this as a major or moderate concern, the highest level of concern out of any federal tax.

In noting the coalition's tax policy announcement, we call on the Australian Labor Party to match or better it.

However, we are not fully satisfied with the coalition policy. In particular, both major parties should strive for a top marginal tax rate of 30 per cent and the indexation of tax thresholds to ensure that tax cuts don't lose their value immediately due to inflation.

The burden of capital gains tax on business must also be tackled, preferably by reducing the CGT rate the longer an asset is held. This should promote innovation (including research and development), improve Australia's global competitiveness and increase investment while reducing the double taxation of retained earnings.

In our pre-election survey, CGT was raised as a concern by 58 per cent of businesses. It is probably ranked lower than other taxes because CGT doesn't affect all businesses every year; however, those businesses that pay CGT raise it as an important concern.

While personal tax was the highest ranked federal tax, two state taxes ranked even higher: 75 per cent of businesses considered payroll tax a major or moderate concern, while stamp duty was a similar concern for 73 per cent of businesses.

*Peter Hendy is chief executive Of the Australian Chamber of Commerce and Industry.*