



AUSTRALIAN CHAMBER OF  
COMMERCE AND INDUSTRY

# MEDIA RELEASE

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## **ACCI 2006-07 PRE-BUDGET SUBMISSION CALL FOR SECOND WAVE OF TAX REFORM**

Statement by Peter Hendy, Chief Executive

The Australian Chamber of Commerce and Industry (ACCI), Australia's largest and most representative business organisation, is calling on the Australian Government to implement meaningful taxation reform, reduce the regulatory burden on business and cut government spending in ACCI's *2006-07 Pre-Budget Submission*.

The Government needs to implement a second wave of taxation reform, following on from the first wave at the time of the introduction of the GST in 2000.

In light of booming government revenue and Australia's strong financial position, it is time for the Australian Government to stop denying the need for significant, structural taxation reform. Australia needs tax reform – not just tax cuts.

ACCI has been calling for a reduction in the top marginal tax rates for some time. In our *Taxation Reform Blueprint*, released in 2004, ACCI argued that the current top rates of 42 and 47 per cent were too high, holding back productivity and growth, discouraging innovation, investment, education and entrepreneurship, discouraging skilled migration to Australia and encouraging tax avoidance.

ACCI is particularly calling for tax thresholds to be indexed (permanently abolishing bracket creep), the reduction of the number of tax thresholds and for the long-term goal of reducing the top marginal tax rates to equal the 30 per cent corporate tax rate.

While ACCI supported the changes to personal tax rates that were announced in the 2005-06 Budget, we believe these changes did not go far enough.

In our *2006-07 Pre-Budget Submission*, ACCI is arguing for a substantial range of tax reforms to be implemented over a number of years, including:

- personal income tax reforms;
- reducing the burden of Capital Gains Tax (CGT) and introducing a 'stepped rate' CGT where the percentage of gains subject to the tax reduces the longer an asset is held;
- reducing the cost of complying with the tax system. ACCI is proposing that the Government introduce a Tax Administration Impact Statement to ensure that the costs of tax compliance are fully measured; and
- reform of taxation on superannuation.

As well as ACCI's calls for taxation reform, the ACCI Submission also outlines measures to:

- reduce public sector spending;
- reduce welfare dependence; and
- reduce the growth of government regulation and the associated requirement for additional calls on resources.

MR 143/05

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It is inappropriate for the Government to run surpluses of over \$10 billion given there is a negligible amount of Government debt and to park surpluses in a *Future Fund* for public sector superannuation. The ACCI discussion paper *Commonwealth Spending (And Taxes) Can Be Cut - And Should Be* suggests that there is ample opportunity to reduce public sector spending. The paper identifies over \$19 billion worth of public sector spending that might be eliminated.

Another major issue highlighted in ACCI's *2006-07 Pre-Budget Submission* is the amount of regulation currently being loaded onto Australian businesses. Over the previous five years there has been an average of 1,441 Bills, delegated instruments, treaties and quasi-regulations tabled in Parliament or made - a figure that doesn't include the significant amount of State and local government regulation with which business is also required to comply. Further details of ACCI policy in this area are in the ACCI position paper *Holding Back the Red Tape Avalanche*.

Training and education policies are vital in improving the skills of the Australian labour force. Employers are asking for the Government to ensure that:

- the Institute for Trade Skill Excellence is established in 2006;
- there are continued developments made in the New Apprentices system; and
- incentives and programs are established in tandem with reforms to the welfare system.

Workplace relations reforms will need to be bedded down and significant employer education will be required. There should be some provision for education funds to employer bodies. In addition several court challenges to the new *WorkChoices* legislation may need to be defended and budgetary provisions should be made on this front. Award simplification may also require some funding given that unions are unlikely to be proactive in this area.

ACCI strongly supports the establishment of the Australian Fair Pay Commission and asks that this body be adequately funded to allow it to conduct its own research and develop its own agenda.

ACCI's *2006-07 Pre-Budget Submission* also covers:

- monetary policy;
- the New Apprenticeships system;
- welfare reform;
- reform to the Disability Support Pension;
- unlawful termination assistance to employees alleging they were unlawfully terminated;
- the Australian Safety and Compensation Council;
- venture capital;
- privacy;
- government procurement; and
- the environment – including water and nuclear policies.

ACCI's *2006-07 Pre-Budget Submission* as well as our *Taxation Reform Blueprint: A Strategy for the Australian Taxation System 2004-2014*, the *Holding Back the Red Tape Avalanche* position paper and the *Commonwealth Spending (And Taxes) Can Be Cut - And Should Be* discussion paper are available on the ACCI website at [www.acci.asn.au](http://www.acci.asn.au).

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MR 143/05