



## AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

**Letter to the Editor of The Australian Financial Review by ACCI Chief Executive Peter Hendy - Capital Gains Tax - 12 December 2005**

### **Chamber Wants Reappraisal of CGT**

**By Peter Hendy - Chief Executive, Australian Chamber of Commerce and Industry**

The Australian Chamber of Commerce and Industry is a strong supporter of tax reform, particularly the need to reduce the top marginal tax rate as highlighted in "Change agent" (AFR Magazine) on tax policy expert Geoff Carmody.

However, ACCI strongly disagrees with Carmody's argument that the capital gains tax (CGT) discount of 50 per cent should be removed. In developing our Taxation Reform Blueprint, released in 2004, businesses made it clear that they thought that the burden of CGT should be reduced, not increased.

As shown in Blueprint, Australia's treatment of capital gains is actually more onerous than many other developed countries. We are already uncompetitive for international capital; this situation would be made worse if the CGT rate were increased.

The CGT regime has many other problems. High taxes on capital discourage capital formation, corporate savings and research and development. It has particularly adverse effects on companies in the start-up phase. In addition, CGT discourages asset turnover, making markets less efficient and harming capital reallocation.

ACCI wants the federal government to seriously consider further reforms to CGT, particularly to introduce a stepped rate of CGT, where the rate of taxation reduces the longer an asset is held. This should encourage patient capital and discourage speculative bubbles.

Peter Hendy, Chief Executive, Australian Chamber of Commerce and Industry