

Speech

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Speech by Catherine Livingstone to the BCA–PwC Tax Forum

Welcome and introduction

I am pleased to welcome you all and thank you for taking part in this forum on the priorities for tax reform in Australia.

Thanks, in particular to our co-hosts, PwC.

On your chairs, you will have found a copy of a discussion paper the Business Council of Australia has released today to help build understanding of why tax reform matters – for the nation, for businesses and for individual Australians.

If the government's tax reform white paper is to move the nation towards meaningful reform, all of us who care about this need to work together to achieve three broad objectives.

Those objectives are to:

- build community understanding of the role we need our tax system to play
- promote greater recognition that the current system is no longer fit for purpose in a very different global economic environment
- find agreement among ourselves on the broad directions and processes for Australia to embark on comprehensive tax reform.

The purpose of this forum

Both the BCA discussion paper and this forum are geared towards advancing these objectives.

As a key player in the Australian economy, we believe the business community has an important role to play in the national discussion on tax reform. This includes accepting our obligations and being transparent in complying with our taxpaying responsibilities.

Our discussion paper presents some basic information on the nature of the current Australian tax system and where it is being challenged.

It looks at the implications of ignoring these challenges by leaving the system as it is, and argues for a planned and gradual process of comprehensive change.

This year's federal budget raised important questions about the capacity of the tax base to generate sufficient revenue to deliver the services Australians want and need into the future.

We are very grateful to Treasury Secretary Dr Martin Parkinson for agreeing to set the scene by describing Australia's fiscal circumstances.

We are grateful also to our panellists, who will cover three key aspects of the tax reform agenda:

- equity
- Commonwealth–state arrangements
- the role of the tax system in providing incentives for investment and economic growth.

The varied expertise and perspectives of the panellists – indeed all of our participants today – should stimulate a rich and rewarding discussion, and help us to collectively consider how to promote meaningful reform.

The context for change

The need for this discussion is urgent and profound.

Across the world, a conjunction of powerful global forces of change – digital technology, global economic shifts and demographic change – is demanding a different approach to driving economic growth.

We want and need to keep our economy growing strongly to support jobs, to enable investment in quality services and infrastructure, and to underpin a strong, enduring social safety net for the people who'll need it.

We must recognise that continued, strong growth is going to be harder to achieve in the next decade than it has been over the past two.

Implications for tax reform

We are here today because we know that updating and improving our tax system is now an imperative.

Most of the system's main problems are well known:

- There are currently 5 working-age people for every person aged over 65 in Australia. This number is projected to fall to 2.7 working-age people.
- The trend will place an ever greater tax burden on workers, as demand on the budget in terms of health, aged care and welfare rises.
- The ratio of corporate tax collected in Australia as a share of GDP is second only to Norway in the OECD.
- Our corporate tax rate of 30 per cent compares with an average OECD statutory rate of 25 per cent, and 23.5 per cent across the Asia–Pacific region.
- This makes our tax base vulnerable to the lower rates of our competitors.

Without change, our tax system runs the very real risk of:

- deterring investment
- reducing incentives for businesses to employ people
- compromising Australia's attractiveness to skilled and talented people.

Importantly, the system can either incentivise or impede innovation, entrepreneurialism and risk taking – key drivers of the next decade of economic growth for Australia.

There are also legitimate equity concerns around the current system and how it might be changed.

Addressing these concerns seriously and sensitively is central to the national discussion we need to have. We need to be aware and transparent about the distribution effects.

As Dr Parkinson's presentation will show, tax reform on its own is not the panacea for underlying structural budget problems experienced by all levels of government.

Tax policy should not be designed to simply chase spending.

It is a responsibility of government to ensure tax revenue is allocated and put to work efficiently.

As we embark on tax reform, we also need a plan and cross-party commitment to address structural issues on the spending side of the budget.

This includes clarifying the roles and responsibilities of the Commonwealth and state and territory governments through the federation white paper.

We need to fix the federation in tandem with the tax system, not in parallel.

Neither the tax or federation white papers can afford to be exercises for more tinkering around the edges. It is time to do this properly.

Tax reform needs to transcend election cycles, and today we should consider appropriate institutional arrangements to facilitate this – perhaps the establishment of an independent body.

We know from past experience that serious tax reform is hard won and requires broad community education and engagement.

Ad hoc changes dressed up as serious reform only serve to squander the community's tolerance for necessary change.

They compromise business and community confidence and the certainty that encourages investment and consumption.

The tax reform process we are here to discuss needs to be comprehensive and holistic. Everything has to be on the table and open for consideration.

The time it takes is far less important than the need to do the job well.

We won't agree on everything today but we can, I believe, agree on the issues at hand and on some basic propositions.

The reality that we will disagree on some things should not deter us from having a constructive, open and respectful conversation.

The same is true for the Australian community.

We need bipartisan support for a national conversation that presents all of the options and is clear and honest with people about the implications of those options.

We will not find a solution without it.

It is now my pleasure to invite Dr Martin Parkinson to address the forum.

For further information contact:

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The Business Council of Australia (BCA) brings together the chief executives of 100 of Australia's leading companies. For almost 30 years, the BCA has provided a unique forum for some of Australia's most experienced corporate leaders to contribute to public policy reform that affects business and the community as a whole.

Our vision is for Australia to be the best place in the world in which to live, learn, work and do business.