

**Australia's future tax system  
Consultation paper  
Summary**

December 2008

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## Notes

- (a) The term 'Australian Government' is used when referring to the current government and the decisions and activities made by the Government on behalf of the Commonwealth of Australia.
- (b) The term 'Australian government' is used when referring to a past government or governments and the decisions and activities made by past governments on behalf of the Commonwealth of Australia.
- (c) The term Commonwealth refers to the Commonwealth of Australia. The term is used when referring to the legal entity of the Commonwealth of Australia.

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## Background

On 13 May 2008 the Australian Government announced the Australia's Future Tax System Review. The Review Panel is to make recommendations by the end of 2009 to position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century.

The terms of reference for the review are at Appendix A.

As part of the review, the Australian Government also announced an investigation into measures to strengthen the financial security of seniors, carers and people with disability. The Review Panel will report on this aspect of the review by 28 February 2009.

In August 2008 the Treasury released a discussion paper – *Architecture of Australia's tax and transfer system* – and on 19 August the Panel called for public submissions guided by four broad consultation questions.

People and organisations from across the community contributed with submissions covering a wide range of ideas, views and issues. The Panel also met with major representative organisations to discuss structural design priorities.

The input provided through this initial consultation process has contributed to the development and release of the Panel's first consultation paper. The *Consultation paper* outlines the key emerging issues and, through a series of specific focusing questions, sets the foundation for further community engagement into 2009.

This document is a summary of the main *Consultation paper*.

A separate consultation paper on the retirement income system has also been released to meet the Australian Government's request that the Panel bring forward its consideration of the retirement income system and report to the Government by the end of March 2009. This will allow the Government to consider the issues facing the retirement income system in conjunction with those arising from the Pension Review due in February 2009.

## From the Review Panel

The tax-transfer system is a fundamental part of Australia's social and economic infrastructure. It has been, and will continue to be, shaped by the choices that Australians make about the type of society in which they choose to live. It can have a profound influence on the opportunities available to every Australian.

In August, we invited submissions to the review, guided by four broad consultation questions.

- Q1. What major challenges facing Australia need to be addressed through the tax-transfer system?
- Q2. What features should the system have in order to respond to these challenges?
- Q3. What are the problems with the current system?
- Q4. What reforms do we need to address these problems?

In response we received around 500 formal submissions and a further 260 pieces of correspondence from people and organisations across the entire community. These covered a wide range of ideas, views and issues – an extremely rich source of information that we will draw on over the course of the review. We wish to thank everyone who participated in this stage of the consultation process. A list of the formal submissions, and an analysis of them, is at Appendix B and C respectively. All formal submissions are available on our website at [www.taxreview.treasury.gov.au](http://www.taxreview.treasury.gov.au)

This paper is a summary of the longer *Australia's future tax system: Consultation paper*. As such, it confirms the approach we are taking to the review, outlines what we have heard through public submissions and highlights the major issues we believe we need to consider. We have also detailed the questions we think we need to answer in shaping our recommendations. Of course, more detail on each of these elements is contained in the longer paper.

### Our approach to the review

Our terms of reference are very broad. We have been asked to undertake a 'root and branch' review. Accordingly, our recommendations will encompass the policy framework, the administrative structure and the policy and administrative processes that determine the structure and performance of the tax-transfer system.

As stated in our terms of reference, we will observe the Australian Government's policy not to increase the rate or broaden the base of the GST and to preserve the tax-free status of superannuation payments for people over 60.

We also note the announcement in the *2008-09 Mid-Year Economic and Fiscal Outlook* that Australian Government consideration of the previously announced aspirational personal income tax goals has been deferred until there is an improvement in overall economic conditions.

The structure of our *Consultation paper* (and this summary) reflects the approach we are taking to the review. We start with the challenges, opportunities and other 'drivers' expected to impact on Australian society in the 21st century, and the design principles against which the current system and potential alternatives will be tested. These are discussed in Sections 1 and 2.

Against this background, we propose to examine the various elements of the system as well as themes which cut across the structural elements. Our initial examination of these elements and themes is outlined in Sections 3 to 14.

We intend our considerations to be informed by the best available evidence from Australia and overseas. To ensure we are well informed and to support public discussion and debate, we have decided to commission a series of analytical papers to explore significant tax policy issues relating to the work of the review. A number of external consultants will be engaged to prepare papers and present them to us between March and June 2009. Some of the papers may be presented at our tax policy conference scheduled for June 2009.

### **Further opportunities to participate**

Community participation is vital to the success of the review. We will continue to draw on the submissions we have already received and welcome further public submissions in response to our *Consultation paper* at any time up to 1 May 2009. We may also release more targeted discussion papers and call for submissions on specific issues during the remainder of the review period.

We will host a series of public meetings in all capital cities and several major regional centres in March 2009. We will also conduct bi-lateral and roundtable discussions with key industry and community groups between January and June 2009. In June 2009, we will host a two-day tax policy conference. This will provide an opportunity for stakeholders to share commissioned research and enter into detailed discussion of options for Australia's tax-transfer system.

More information on participating in the review may be found under 'How to participate'. More information on the review is available at [www.taxreview.treasury.gov.au](http://www.taxreview.treasury.gov.au)

We look forward to engaging with you as the review progresses.

### **Australia's Future Tax System Review Panel**

The members of the Review Panel are:

- Dr Ken Henry (Chair), Secretary to the Treasury;
- Dr Jeff Harmer, Secretary, Department of Families, Housing, Community Services and Indigenous Affairs;
- Professor John Piggott, Professor of Economics/ Associate Dean, Research, Australian School of Business, University of New South Wales;
- Ms Heather Ridout, Chief Executive, Australian Industry Group; and

- Mr Greg Smith, Adjunct Professor, Economic and Social Policy, Australian Catholic University.

## How to participate

The questions in this paper are those the Panel considers it needs to answer in developing recommendations for the final report at the end of 2009. Community input on what Australians consider to be the design priorities for the tax-transfer system is vital to answering these questions.

The submissions made to the review have informed the development of the *Consultation paper*. The Panel will continue to use these submissions over the course of the review and there will be many more opportunities for people to contribute.

### Make a submission

Anyone can make a submission at any time up until Friday 1 May 2009. If you would like to make a submission to the review, you may find it helpful to consider the Panel's consultation questions. You will find them throughout this document. You are not limited to these questions. If you have other ideas or issues, please submit them.

All submissions will be treated as public documents, unless you ask otherwise, and published to the review website after 1 May 2009.

The Panel may also release more targeted discussion papers and call for public submissions on specific topics during the remainder of the review period.

If you are interested in making a submission on the retirement income system, you have until Friday 27 February 2009. For more information, please refer to the *Retirement income: Consultation paper*.

### Attend a public meeting

The Panel will host a series of public meetings in all capital cities and several major regional centres between 16 and 27 March 2009. Details will be published on the review website when available.

### Focused community consultation

The Panel plans to conduct bi-lateral and roundtable discussions with key industry, professional and community groups between January and June 2009.

Recognising the need to consider international, theoretical and practitioner perspectives, the Panel will host a two-day tax policy conference in June 2009. The conference will provide the opportunity for leading international experts, the academic and practitioner community, and industry and community organisations to share research specially commissioned for the review and enter into detailed discussion of options for Australia's tax-transfer system.

### More information

For more information on making submissions and attending public meetings please visit [www.taxreview.treasury.gov.au](http://www.taxreview.treasury.gov.au) or call 1800 614 133.

# 1 Challenges and opportunities for reform

The review will provide the Australian Government with a blueprint for a tax-transfer system that will help position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century. Submissions have taken these into account and have identified several other important challenges and opportunities. Bringing these perspectives together, the Panel has identified seven broad issues to frame consideration of Australia's future tax-transfer system:

- the type of society in which Australians might choose to live, including considerations about the role and size of government in Australia;
- increasing globalisation and the changing pattern of world economic activity;
- demographic change, including changing patterns of workforce participation;
- climate change, the environment and sustainable economic growth;
- intergovernmental relationships within the Australian federation;
- the process of policy formation and administration; and
- the role of technological progress.

## What type of society do Australians want?

The tax-transfer system is such a fundamental part of Australia's social and economic infrastructure. It will both shape, and be shaped by, the evolution of society. Several submissions explicitly consider the type of society in which Australians might aspire to live. One echoes the contributions of the 2020 Summit by setting an objective of Australia being the 'best place to live, work and do business, with GDP per capita in the top five countries by 2012.' In others, such considerations are implicit in the identified challenges and desired features of the tax-transfer system.

Many see fostering improved living standards through stronger economic growth as the priority for reform of the tax-transfer system. Others emphasise the redistributive role of the system, and regard a fairer and more equal society as the main priority for reform, with economic and market considerations supporting this central goal.

The size of government determines how much revenue the tax system needs to raise. Several community groups consider the existing level of tax revenue to be inadequate to fund Australia's social programs and economic infrastructure. Business submissions generally take the view that the tax burden is too high and that government spending should be reduced, noting all taxes impose costs to economic efficiency.

A number of submissions see a general need to shift to a more environmentally sustainable society, while others emphasise more specific environmental goals.

## **Increasing globalisation and changing world economic activity**

Australia is a small, open economy operating in an increasingly globalised world with freer flows of ideas, investment and labour. The current crisis in financial markets has highlighted our dependence on the world economy, while e-commerce provides an ongoing example of globalisation on a human scale. The pattern of world economic growth is also changing, with China and India accounting for a rapidly increasing share of world GDP. This presents Australia with structural adjustment challenges but also opportunities for enhanced trade and other economic interaction.

Many submissions, particularly those by business groups, identify global competition as a key challenge for Australia and a key influence on tax-transfer design. In particular, they argue that because international capital can flow easily from country to country, Australia needs to reduce tax on capital income to attract investment. There are also concerns about the need to have personal taxes that competitively attract and retain skilled workers and promote entrepreneurial activity.

Key non-business organisations contest these claims and express concern about their equity implications.

## **Demographic change in Australia**

The *2007 Intergenerational Report* (Australian Government 2007) highlights the profound demographic changes that Australia is likely to experience over the period to 2047. The projected ageing of Australia's population is of particular significance, with a quarter of the population expected to be aged 65 years or over by 2047, almost double that today.

Income adequacy in retirement and its potential implications for government spending is a key issue. A number of submissions express a view that current policy settings, particularly the 9 per cent superannuation guarantee, are insufficient to ensure adequate incomes in retirement. Some submissions are more confident about the adequacy of current arrangements.

Higher rates of workforce participation and economic productivity can help meet the challenges of population ageing. Some submissions argue the tax-transfer system should do more to promote workforce participation and be better adapted to the greater diversity of working patterns. Changes in the structure of the Australian economy, following a long period of economic reform, and changing patterns of engagement in the workforce have resulted in structural changes to the labour market. In particular, there has been a fall in the predominance of male full-time jobs, an increase in female participation, and an increase in the number of older workers in recent years. More young, single people have short-term jobs.

Several submissions propose introducing tax-advantaged saving accounts to provide for education and lifelong learning.

## **Environmental sustainability**

Australians value the environment. It also provides natural resources that are essential inputs to Australia's productive capacity, and ecosystems that absorb and assimilate the

waste generated by people and industry. While it may be possible to achieve higher levels of economic growth in the shorter term at the cost of environmental damage, over the longer term such choices may not be sustainable. Accordingly, given its central importance to economic decision making, many see the tax-transfer system as needing to support sustainable economic growth.

More specifically, many submissions argue that tax-transfer settings should be consistent with the objective of reducing carbon emissions. The potential costs of environmental protection are also a focus of attention, with some arguing tax settings relating to the Carbon Pollution Reduction Scheme should be designed to minimise the costs imposed on business.

Submissions also consider a range of tax concessions aimed at enhancing the development and adoption of carbon reducing technology.

### **Improving the Australian federation**

A well functioning system of government can greatly enhance economic performance and the broader wellbeing of Australians. Government of the federation could be enhanced through improvements to the tax-transfer system.

Submissions call for federal funding arrangements that adequately recognise the responsibilities of each level of government, including local government. The fiscal imbalances between levels of government should be addressed in a way that is simple and transparent and provides sufficient revenue certainty to each level of government.

While there is a range of views about the merits of specific state taxes, a common theme is many state taxes need to be either abolished or reformed. Some argue for incentives for states to improve efficiency in tax collection and service delivery. Others call for a single Australian government tax collection agency, in place of the nine existing tax administrations.

Some submissions also noted scope to rationalise Australian and state government taxes and transfers applying to the same activities or objects and trying to achieve much the same outcome.

### **Improving the process of policy formation and its administration**

There is strong consensus that the level of complexity and operating costs in the tax-transfer system is too high. This is highlighted by the number of taxes and transfers, the lack of coordination and harmonisation across jurisdictions of essentially similar taxes and transfers, and the complexity in the administration of the tax-transfer system.

Many argue for the tax policy process to be more open and transparent, particularly around trade-offs between efficiency, equity and simplicity. In expressing these views, submissions welcome the recent Australian Government announcement to engage with the private sector earlier in the policy and legislative design process.

Several submissions from peak organisations comment on a 'governance gap' in the tax system. While the concerns underlying these comments vary across submissions – competitiveness, tax minimisation, technological opportunities and policy consistency –

there is a degree of consensus that a regular process of review, by an independent oversight body, would complement less frequent tax reform exercises.

Some submissions point to the need to build a stronger culture of tax compliance. A regular process of review and repair, aimed at addressing tax minimisation strategies that undermine the integrity of the tax system, is seen as an important step in this process.

Submissions from larger businesses express some concern about the negative impact on business decisions of changes in the interpretation of the law and delays in processing requests for rulings. Representatives of small business note that engagement with the Australian Taxation Office has improved over recent years.

## **The role of technology**

Technological advances have had a profound impact on the way we live. Over the past 50 years, they have dramatically increased the productive capacity of our economy, in particular through the evolution of computer technology.

The pace of technological progress poses a number of challenges for the tax-transfer system. New industries are being established more quickly than ever before and the system must be flexible enough to adapt. Technology can transfer information and financial assets across national borders instantly and at minimal cost creating new opportunities for tax avoidance and evasion. But technology also presents opportunities for the tax-transfer system, enabling it to deliver quicker, more responsive and more customised services to Australians.

## **Consultation questions**

- Q1.1 In considering the community's aspirations for the type of society that Australia should become over the next two decades and beyond, which key features should inform or drive the future design of the Australian tax-transfer system?
- Q1.2 Assuming that the absolute size of government will not fall, should (and can) Australia nonetheless aim to reduce the burden of taxation over time by promoting faster economic growth than public spending growth? Can it be demonstrated that alternative tax policies could help deliver that outcome?

## 2 Principles and features of a new system

Submissions identify a range of fundamental features that Australia's future tax-transfer system needs, in order to respond effectively to future challenges and opportunities. These are either principles to guide the design and operation of the system or structural features that a well designed system should have.

### Design principles for the tax-transfer system

Five design principles can be broadly identified in submissions – equity, efficiency, simplicity, sustainability, and policy consistency. Economic inefficiency and excessive complexity both increase the costs of the tax-transfer system and are dealt with together below.

#### Equity

Equity is generally agreed to be an important principle for the system, but there is no consensus about exactly what equity is or how to measure it.

One perspective on equity is that all individuals should have the opportunity to participate in society and achieve the things they value. Tax-transfer settings that enable people to escape poverty and improve their lifetime opportunities through education and workforce participation are consistent with this view of equity.

Another common perspective is that those with greater economic means should pay more, though there is less agreement about how means should be measured and how steeply progressive the system should be. Several submissions place primary emphasis on the need for a 'fair' and progressive tax-transfer system with minimal opportunity for high income earners to minimise their tax obligations.

There is also a general view that individuals or families with the same capacity should face the same tax burden, although this is often not stated explicitly.

Other issues relating to the equity of the system include:

- the impact of complexity, which tends to fall most heavily on those with the least capacity to deal with it;
- the role of the beneficiary principle – that people should pay tax broadly in accordance with the benefits they receive from government spending, regardless of their income;
- the importance of inter-temporal equity – which considers how the system affects individuals over their entire lifecycle, not just in a particular year; and
- what account to take of intergenerational equity, which is concerned with how tax-transfer decisions taken now will affect the wellbeing of future generations.

## The costs of the tax-transfer system

The costs imposed by the tax-transfer system include efficiency and operating costs (administration costs and compliance costs), as well as the broader costs on individuals and businesses resulting from uncertainty and complexity.

Submissions consistently argue the tax-transfer system should raise and redistribute revenue with the least possible cost to economic efficiency and with minimal operating costs. There is also agreement that the broader costs of complexity should be minimised.

All taxes and transfers affect the choices individuals and businesses make by altering incentives to work, save, invest or consume things that are of value to them. These changes in behaviour can ultimately leave the economy and society as a whole worse off than if the revenue were raised (or distributed) without affecting behaviour. The size of these efficiency costs varies across different taxes and transfers, reflecting, in part, the extent to which they affect behaviour.

The resources devoted to tax-transfer administration and the time and resources individuals and businesses devote to understanding and complying with the requirements of the system, are diverted from more productive or satisfying activities. Therefore, they also represent a significant efficiency cost to the economy.

Complexity in the tax-transfer system makes it difficult for people to understand their obligations and entitlements. This increases the risk of non-compliance and can make it harder for individuals to make the right decisions. Complexity can also give rise to tax-transfer planning opportunities that divert resources from productive uses.

Together with instability in tax-transfer settings, complexity may also reduce economic efficiency by increasing the level of uncertainty about the expected payoffs to long-term investment decisions, such as investment in education, retirement products, long-lived productive assets or the choice of business structure. Submissions also express concern about uncertainty in the interpretation and administration of the law.

The existence of these costs does not automatically imply that taxing and spending by governments reduce GDP or social wellbeing. Provided the goods and services supplied by government are of sufficient value to society to offset these costs, the overall wellbeing of society is enhanced. However, the tax-transfer system should operate at the lowest cost to society for a given set of outcomes. There is a clear sense from submissions that current costs are excessive and need to be reduced.

## Sustainability

The Panel views the design principle of sustainability from three perspectives. First, environmental sustainability is of such importance to Australia's future that the Panel regards it as a principle against which the current system and potential reforms ought to be tested.

Second, the Panel regards institutional sustainability as important. This includes whether the legal and administrative frameworks are robust and whether community attitudes to the system maintain its legitimacy.

Third, several submissions point to the need for a tax-transfer system that meets the revenue needs of Australian, state and local governments without recourse to inefficient taxes. Others point to the need for policies that contribute to a fair and equitable society and are affordable over the longer term, in light of the demographic changes facing Australia.

Some submissions express a view that the tax system should deliver a stable revenue base by minimising reliance on more volatile taxes. A related theme is that the tax-transfer system should support flexibility in the economy to respond to changing circumstances.

Access to broad revenue bases such as household consumption or income (broadly defined) means governments can meet their spending responsibilities by imposing relatively low rates of tax on a broad range of economic activities.

Since many government functions – such as infrastructure projects and major defence acquisitions – require large expenditures over many years, the tax-transfer system needs to provide governments with a stable revenue stream that allows them to meet their spending responsibilities consistently and reliably over time.

Features of the tax-transfer system that function as automatic stabilisers – injecting resources into the private sector in macroeconomic downturns and withdrawing them in times of economic expansion – may be useful for smoothing demand in the economy without requiring policy action by government. However, they detract from revenue stability to some degree.

In some cases, there may be a trade-off between revenue stability and economic efficiency. For example, a resource rent tax is a more efficient revenue raising mechanism than a flat, production based royalty. However, it produces a more volatile revenue stream than the royalty because revenue collections from a rent tax are more closely related to volatile world commodity prices.

### **Policy consistency**

Many submissions, particularly from business, highlight the need for tax-transfer policy settings to be consistent internally and with governments' broader policy objectives. Consistency with environmental objectives, particularly in relation to climate change, is a key area of concern.

In general, consistency in policy settings within the tax-transfer system can help people to understand the system and helps to reduce complexity, cost and uncertainty for taxpayers and transfer recipients. This can reduce the costs of the system and increase equity by improving levels of voluntary compliance.

However, the extent to which particular features of the tax-transfer system pursue policy objectives other than raising and re-distributing revenue must be considered case by case. In some instances, attempting to use the tax-transfer system to pursue other goals may jeopardise the system's revenue raising capacity or increase the efficiency costs of raising revenue.

## Structural features

Submissions contain a diversity of views on the structural features a well designed tax-transfer system should have.

There are mixed perspectives on whether the tax and transfer functions should remain separate, reflecting different roles and objectives, or more fully integrated, in order to reduce complexity and perverse incentives for individuals and families.

Reform of state taxation, policy and administration, and improved federal fiscal arrangements are identified as key areas for reform in many submissions. Reform proposals ranged from removing the more inefficient state taxes through to revenue sharing arrangements.

Submissions point to the need for sustainable policies for an ageing population experiencing increased longevity. Proposals include increases in the level of self-provision through an increase in the superannuation guarantee, broadening its application to currently uncovered groups, and adopting measures to reduce income risk due to poor financial planning or the fact that people are living longer.

Some call for a reduction in the effective rate of tax on companies, either through a reduction in the company tax rate or a narrowing of the corporate tax base. Other submissions consider this a second order priority or to be inappropriate on equity grounds.

A range of submissions highlight the distortions in the treatment of different forms of capital income. Many call for the rate of tax on interest income to be reduced to bring it closer into line with other forms of capital income. Some call for measures to improve neutrality, for example, by removing the concessional treatment of capital gains. There is some interest in alternative capital tax structures such as an allowance for corporate equity, flow-through taxation and a dual income tax approach.

Several submissions call for policy settings that are consistent with achieving environmental sustainability.

## 3 The revenue mix

### Overview

The revenue mix can be considered at several levels: the balance between the underlying sources of government revenue; the balance between taxes faced by individuals; and the balance of approaches taken to raising revenue.

The short-term balance between government revenue from the three tax bases – labour, capital and consumption – is sensitive to economic conditions and government policy decisions. There has been a marked change in the balance of taxes from labour to capital since 2000-01. It is unclear how this balance will be influenced over the long-term by pressures such as the ageing of the population. However, it is possible that there will be a continuation of existing pressures on capital and labour taxes as a revenue source, suggesting an increased reliance on consumption taxes.

The relative taxation of the returns to work compared with the returns to saving can affect individuals' choices about working, saving and consuming. These choices can have important implications for the efficiency and equity of the tax-transfer system. There are strong and conflicting views about the relative reliance on these bases.

Alternative arrangements, such as user charges, have the potential to play an important role in improving efficiency through the pricing of public resources and to provide an alternative source of revenue to more conventional taxes.

### Consultation questions

- Q3.1 What problems, if any, are generated by the overall mix of taxes in Australia on business and labour income, consumption, transactions and assets, and what changes, if any, should be made?
- Q3.2 Does Australia's tax system penalise (or favour) the returns to savings relative to other activities and should this lead to changes in the structure of taxes and means tests?
- Q3.3 Does Australia's tax-transfer system appropriately deal with property and wealth, or should new approaches be introduced? What, if any, implications would any changes have for the taxation (or means testing) of capital income flowing from property and wealth?
- Q3.4 Assuming no increase in the rate or base of the GST, what principles should guide the future development of other consumption taxes in Australia, and is there a need to change the role and structure of such taxes?
- Q3.5 Could greater application of user charges, rather than general taxes, in the funding of government services or infrastructure bring social, environmental or economic benefits?

## Key messages in submissions

Australia's relatively heavy reliance on revenue from corporate taxes is seen as an important issue, with concerns expressed about capital mobility and Australia's international competitiveness. Many business submissions, and others, call for a reduction in taxes on capital income, particularly corporate taxes.

A number of submissions from individuals, business groups, and business advisory organisations, argue in favour of reduced tax on the returns to saving more generally. Some of these argue that taxing savings disadvantages people who save relative to people who do not.

On the other hand, many individuals and organisations, especially welfare groups, are concerned about the equity implications of the current concessional treatment of some forms of capital income, noting that this tends to favour high income taxpayers. While most of these submissions suggest equal taxation of the return to work and saving, some suggest taxing returns to saving more heavily than returns to work.

Treatment of inflation is also identified as an issue. Some call for the exclusion of an inflation component from the taxation of interest income, while others call for an inflation exclusion for all income from savings.

Some submissions support consideration of a direct, recurrent tax on household net wealth, generally with a low rate and a broad base. Another feature often suggested is a threshold high enough to ensure that only high wealth individuals have a liability. A wealth tax is seen as supplementing, rather than replacing, taxes on capital income. Some submissions also canvass the possibility of wealth transfer taxes, again with a threshold to ensure that only large estates, or inheritances or gifts are affected.

A number of submissions argue for a reduction in taxes on income and an increase in taxes on consumption, although they generally acknowledge that the increasing base and rate of the GST are outside the terms of reference. However, some strongly oppose a shift towards taxes on consumption, or advocate reducing existing taxes on consumption, citing equity concerns.

Submissions raise a range of issues with secondary taxes on consumption (such as alcohol and tobacco). Some submissions support these taxes, on grounds such as public health. Others suggest that these taxes are overly complex.

Some argue that existing taxes on transactions, such as land transfers, are inefficient and should be reduced. Others argue in favour of more extensive use of taxes on transactions, for example by replacing all other taxes with a broad-based financial transactions tax.

There are different views about the equity, efficiency and simplicity of user charges and beneficiary taxation. Some argue that user charges are difficult to set appropriately, and administer efficiently. Submissions are divided on whether beneficiary taxes are efficient and equitable compared to raising general tax revenue. Infrastructure charges are a particular concern for housing developers who argue that the costs of infrastructure should be borne by the community as a whole.

## 4 Personal tax and transfers

### Overview

The personal income tax and transfer systems have far-reaching implications for the wellbeing of Australians and their choices to work, save and acquire skills.

Tax and transfer policies involve trade-offs between the adequacy of payment rates, incentives to work, and the complexity individuals and families face. Higher payment rates can lessen individuals' incentives to work and to invest in skills. The application of means tests for transfers leads to a more targeted but more complex system. Most critically, incremental reforms generally involve a trade-off between equity objectives on the one hand and efficiency and simplicity on the other.

With the ageing of the population and increasing global competitiveness, the structure and settings of the tax-transfer system and resulting incentives are key components in meeting these challenges.

Reforms which reduce complexity and deliver adequate incentives will improve resource allocation, productivity and participation. However, there are significant tensions between such objectives, and with targeting, equity and fiscal sustainability.

### Consultation questions

- Q4.1 How might the personal tax system be changed to better achieve the goals of greater simplicity, transparency, equity and efficiency?
- Q4.2 What is the appropriate distribution of income tax across income levels and how should it differ from the current distribution? Should governments seek to maintain a similar distribution over time, or should they fix the value of current tax thresholds through indexation?
- Q4.3 Is the personal income tax base appropriately defined? Should reforms such as changes to the scope of deductions or other measures be considered?
- Q4.4 Should the tax treatment of transfer payments be reconsidered? Should transfer payments be taxed at the same rate or a lower rate than earned income?
- Q4.5 Should people in different circumstances be taxed differently (for example, by age, occupation, location), and what might be the implications of such arrangements? Are tax offsets the best way to achieve differential taxation?
- Q4.6 How can fringe benefits tax be simplified while maintaining tax integrity? Would it be better to adopt the general OECD practice of taxing fringe benefits in the hands of employees, rather than employers?
- Q4.7 Are the current categorical distinctions for income support, including rates of payment and income tests, still relevant? If not, would other categories be better? What goals or principles should guide categorical distinctions and associated

payment rates?

- Q4.8 What priority should be given to the different objectives associated with family assistance, such as poverty alleviation, recognising the social value of child rearing, facilitating workforce participation of parents, and early childhood education? Would it be better to provide less family assistance to higher income earners?
- Q4.9 What are the key factors that should affect rates of transfer payments? What should be the relative importance of duration on income support, costs of work and job search, costs of children, value of home production and the level of the federal minimum wage?
- Q4.10 Should transfer payments have a common benchmark? If so, should it be a proportion of a wage measure, and if so, which one? Or is there a better benchmark? Should there be a common indexation arrangement?
- Q4.11 Should payments for retired people remain linked to payments for people of working age?
- Q4.12 In a targeted system there is a trade-off between the level of income support and workforce incentives. Given this, what priority should be given to reducing the disincentives to work?
- Q4.13 What structure of income tests and taxes would best support the increasing diversity of work and the need to increase workforce participation, and where should improved incentives be targeted?
- Q4.14 Does the tax-transfer system create disincentives for individuals seeking to acquire new skills or upgrade existing skills? If so, what sort of tax or transfer changes would provide better incentives?
- Q4.15 Given the competing demands of targeting assistance to people when they need it and minimising unnecessary transactions, what changes could be made to existing tax and transfer policies?
- Q4.16 Should the different bases of assessment for tax and transfers be reconsidered (including the unit of assessment, income definitions, period of assessment and assets treatment)?

## Key messages in submissions

A number of submissions call for greater progressivity in the personal tax system (through higher marginal rates for high income earners). Others argue that high personal marginal tax rates reduce incentives for skills acquisition and the ability for Australia to attract and retain high skilled workers. Submissions also suggest that the top personal tax rate should align with the company tax rate to reduce incentives for tax minimisation.

Several submissions raise concerns about tax offsets for complexity or equity reasons. Related to this, submissions raise concerns with the different tax treatment of transfer payments. In order to reduce complexity, some submissions suggest removing the Medicare levy and incorporating it into the personal income tax base. A number of the submissions call for indexation of the tax thresholds.

The current fringe benefits tax (FBT) arrangements are seen by business as complex and administratively burdensome. A number of submissions suggest fringe benefits should be taxed in the hands of employees, potentially at the employee's marginal rate. The majority of FBT-related submissions by individuals, express concern about the environmental impact of the statutory formula for valuing car benefits.

A number of submissions identify problems with the categorical structure of income support, including its division into pensions and allowances. Concerns are raised with the resulting workforce disincentives and with the lower rates of payment to allowees.

A number of submissions express concern about the adequacy of income support and transfer payments more generally. Some organisations note that payment rates are below a number of indicators such as the Henderson poverty line.

Some submissions compare arrangements for retired people and those of working age, expressing a range of views as to whether existing links should be maintained or the retirement income system separated.

Working age allowance recipients are identified as a group for whom payment rates are particularly low, as were low-income renters in the private housing market. Many submissions to the Harmer Review argue that payment rates and overall support packages are not adequate. The gap between pension and allowance rates, and its continuing growth, is a concern expressed in many submissions.

Several submissions propose a change to indexation or benchmarking arrangements, with several organisations supporting the development of a new single benchmark based on a range of research and data.

Submissions on family assistance primarily focus on its impact on work incentives for parents. Some submissions indicate a preference for a system that encourages families to move from one to two incomes.

Submissions raise concerns about the level of Rent Assistance relative to the costs of renting. A number of submissions comment on the generous treatment of a person's home for the purpose of the assets test. Several submissions propose changes such as including more valuable homes in the assets test.

Some submissions note that much of the assistance provided through supplementary payments and concessions advantages retired people, including relatively wealthy retirees, rather than low income people. Some submissions indicate that cash payments give people greater control over resources, while others indicate a high level of support for concession cards.

Several submissions argue an ageing population will create budgetary pressures which can be met by increasing workforce participation.

Some submissions argue that the tax and transfer systems can be a disincentive to part-time work, such as high effective marginal tax rates discourage participation. Submissions also recognise the significant trade-offs between incentives, adequacy and affordability.

A number of submissions suggest that reductions in effective marginal tax rates could increase participation. They propose several ways this could be achieved, including through: reductions in income test taper rates for Newstart; the introduction of an earned income tax credit; and a change to income testing for Family Tax Benefit to reduce effective tax rates.

Other submissions focus on the disincentives in the tax-transfer system for women's workforce participation, such as the structure of the allowance income test, the income test on Family Tax Benefit, and interactions with child support.

The need to ensure there are incentives for people to invest in education and training in order to lift productivity is noted. Some submissions suggest that the current tax-transfer system has adverse impacts on lower income students and on the types of degrees students undertake.

Some submissions argue in favour of tax-favoured savings accounts for education and skills in order to assist people to continue to develop and update their skills. Submissions have differing views on the respective roles of tax and transfers in this regard.

Some submissions that raise churn as an issue view it negatively on the grounds that it is inefficient due to administrative duplication and compliance costs. Others view it more positively, valuing the ability of the tax and transfer systems to pursue separate goals.

Submissions express concern that the interaction of the tax and transfer systems is complex, as is each system in its own right. A number of submissions are supportive of increased harmonisation, or even integration, of the two systems. Some submissions advocate alternative models, such as a negative income tax, to achieve simplification.

Some submissions, particularly from individuals, argue that family unit taxation would be fairer than the individual basis of the existing system, premised on a view of couples or families as the primary economic unit. Other submissions argue that individual taxation is fairer and has more efficient outcomes in terms of incentives to work, particularly for mothers.

## 5 The retirement income system

### Overview

Australia has a three pillar retirement income system:

- a government-provided Age Pension;
- compulsory savings enforced through the superannuation guarantee (SG); and
- voluntary savings (both through superannuation and other sources).

The Age Pension provides a guaranteed income based on means, while the income generated from the second and third pillars depends on the amount invested and returns on these investments.

The retirement income system has developed over time. The SG pillar will not mature until 2037 when employees retire after a full working life (35 years) of compulsory superannuation contributions of 9 per cent.

Submissions to the Panel support the structure of the retirement income system. Common themes in the submissions concern the current rate of the SG and the level of concessions provided to encourage additional saving. Other themes relate to how the system should deal with individuals outliving their savings and the way the system treats individuals with different circumstances.

Key considerations about the retirement income system are whether it is broad and adequate, acceptable, robust, simple and approachable, and sustainable.

Another aspect to be considered is the role of the retirement income system in providing health and aged care services.

### Consultation questions

- Q5.1 In considering the future of Australia's retirement income system, which objectives are relevant in setting retirement income policy? Does the current system of the Age Pension and compulsory and voluntary savings meet these objectives? If not, how should the system be changed to meet these objectives?
- Q5.2 As the SG system matures, it will become a greater part of an employee's retirement income. What are the implications for individuals partially or fully excluded from the mature SG system (the self-employed, individuals with broken work patterns such as carers, women and migrants), and how can the retirement income system best accommodate these groups?
- Q5.3 Noting that the adequacy of the Age Pension is being considered by the Pension Review, what is an appropriate concept of adequacy for the retirement income system? Should it be to ensure there is a minimum level of income in retirement, to replace a proportion of income earned prior to retirement, or some other alternative?

- Q5.4 What should the role of the government be in assisting individuals to meet their retirement income expectations in relation to the support provided by the Age Pension, the level of compulsory savings and incentives to make additional savings? Should the role of government change as an individual's income increases over their working life?
- Q5.5 Do the settings of the retirement income system, such as the level of SG and access to concessions, adequately consider the needs and preferences of individuals both before and after retirement?
- Q5.6 Is the current level of superannuation income tax concessions appropriate and sustainable into the future? Are the current concessions properly targeted and, if not, how should they be reformed?
- Q5.7 At what age should an individual be able to access their superannuation and at what age should they become eligible for the Age Pension?
- Q5.8 What is the role of individuals in dealing with investment and longevity risk in accumulating and drawing down their retirement income? Do financial markets provide the means to deal with these risks? If not, is there a role for government to address these shortcomings?
- Q5.9 In what ways does the retirement income system impose undue complexity and cost on retirees and workers? How could this complexity be reduced?
- Q5.10 The Age Pension serves two roles, as a safety-net for individuals who are unable to sufficiently save for their retirement and as an income supplement for many individuals who do save. What should be the role for the Age Pension and means testing in a future retirement income system and what impact does this have on its sustainability into the future?
- Q5.11 In what ways does retirement income policy affect workforce participation decisions and what, if any, changes might reduce disincentives to work? Does the sustainability and cost of the retirement income system affect the workforce decisions of younger generations of workers?
- Q5.12 What impact could financial intermediation have on the effectiveness of retirement income policy?
- Q5.13 The cost of providing health and aged care to older Australians is currently met by government through the health sector. Should retirement income policy take into account projected increases in health costs for older Australians? If so, what would be the most effective mechanism and how might the transition to such a system be achieved?

### Key messages in submissions

While supporting the three pillars system, many submissions propose changes, such as increasing the level of compulsory saving and altering the way the pillars are integrated.

Many submissions discuss the effect of the ageing population and the need to decrease the disincentives for older Australians to remain in the workforce.

Many submissions consider that the retirement income system will need to better deal with the risk associated with people outliving their assets. A common solution is requiring individuals to take all or part of their superannuation as a guaranteed income for life.

Access to concessions is raised in many submissions, in particular: greater deductibility of contributions; the length of time individuals can make superannuation contributions; and the treatment of non-superannuation income of members of taxed and untaxed funds.

## 6 Taxing business and investment

### Overview

The tax system needs to evolve to respond to the opportunities, as well as challenges, arising from globalisation. Attracting investment to Australia, directed to activities with the greatest national return, will improve the returns to Australians from working and saving.

An internationally competitive business environment is necessary to attract investment and international businesses, consistent with an objective of increasing national income. Achieving an internationally competitive business environment depends, in part, on getting the right balance of tax bases and rates.

The quality of investment is equally important. Improving the allocation of resources and investments, not discouraging risk taking, and removing tax biases that negatively affect business and household investment decisions, offers the potential to increase productivity and Australia's long-term prospects for economic growth.

### Consultation questions

- Q6.1 Can the tax system be structured to better attract investment to Australia in a way that increases national income, and if so how? For any given revenue outcome, what are the relative merits of broader base/lower rate (comprehensive income tax) or narrower base/higher rate (a narrow income tax or an expenditure tax) approaches?
- Q6.2 What changes, if any, to the tax system would improve the ability of Australian companies to operate internationally orientated businesses? How should the tax treatment of companies and shareholders be integrated in an open economy?
- Q6.3 Can the tax system be restructured to improve resource allocation within the economy and minimise operating costs, and if so, how? What changes would reduce distortions to risk taking and encourage entrepreneurial activity?
- Q6.4 What principal goals should inform the taxation of capital gains in Australia, and what, if any, changes should be made to capital gains tax as a result?
- Q6.5 Should the tax system provide a more neutral treatment of different financing arrangements (debt, equity and retained earnings), and if so, how? What principles should inform approaches to entity taxation?
- Q6.6 Should the tax system be structured to cater for the specific circumstances of small business, and if so, how?
- Q6.7 Should the tax system be restructured to deliver a more neutral tax treatment for the different forms of return on household savings and investments, and if so, how?

## Key messages in submissions

The key theme in most business submissions is the need to promote increased international tax competitiveness. Submissions point to world-wide reductions in capital income taxation, citing the steady decline in OECD company and withholding tax rates.

To achieve international competitiveness, many submissions support both reducing the company tax rate (generally by 5 or 10 percentage points) and narrowing the company tax base (through more generous write-off and loss arrangements).

However, some submissions prefer reducing personal, rather than company, tax rates. Some non-business submissions contest the need to cut capital income taxes. Equity considerations or reducing tax on those working is seen to be more important.

Many submissions support retaining and enhancing the dividend imputation system, while a few remain open to considering alternatives to dividend imputation.

Many submissions indicate current depreciation arrangements, particularly for intangible assets (such as acquired goodwill) are inadequate, thereby reducing international competitiveness. They also propose increased recognition of losses.

Submissions propose enhanced or new tax incentives for a range of other activities or sectors, including for small business, shipping, the environment, R&D and infrastructure. However, some non-business submissions suggest limiting tax concessions for business.

Submissions suggest compliance costs and risks imposed on taxpayers arising from the business tax system – its administration, complexity and uncertainty – should be reduced.

A number of submissions propose considering allowing a flow-through treatment for companies and possibly other entities, including for small businesses. Some non-business organisations express concern over the tax advantages arising from the use of certain entities, particularly discretionary trusts.

Many submissions note that interest-bearing accounts and assets are taxed heavily compared to other investments, with implications for equity and incentives to save. They suggest a variety of means of providing more favourable treatment for interest income.

A number of submissions raise concerns regarding the capital gains tax (CGT) exemption for principal residences, the 50 per cent CGT discount available for individuals, and negative gearing. These submissions are primarily concerned that the concessions favour the wealthy. However, other submissions support current arrangements.

A number of submissions also support stepped rates for CGT (that decline the longer an asset is held) to discourage short-term investments. However, some express concern over disincentives to sell assets ('lock-in').

There is some interest in considering alternative approaches to taxing capital income, including providing an allowance for corporate equity or otherwise taxing economic rents, or moving to a dual income tax system.

## 7 Not-for-profit organisations

### Overview

Not-for-profit (NFP) organisations perform a valuable role in Australian society. They are eligible for a range of tax concessions and receive direct government funding in support of their philanthropic and community-based activities.

The tax concessions for the NFP sector are complex and applied unevenly.

Gifts are an important source of funding for NFP organisations. The current gift deductibility arrangements impose compliance costs on individuals and provide higher income donors with a greater taxation benefit than lower income donors.

### Consultation questions

- Q7.1 What is the appropriate tax treatment for NFP organisations, including compliance obligations?
- Q7.2 Given the impact of the tax concessions for NFP organisations on competition, compliance costs and equity, would alternative arrangements (such as the provision of direct funding) be a more efficient way of assisting these organisations to further their philanthropic and community-based activities?

### Key messages in submissions

Many submissions express concern over the number of NFP organisations establishing business ventures, suggesting that these tax concessions unfairly disadvantage competing taxable entities. Several submissions note that NFP organisations are servicing commercial markets unrelated to their philanthropic activities, including: turf supplies; insurance; music sales; pizza shops; and breakfast and health foods. However, others suggest that commercial pursuits simply provide these charities with more funds for their philanthropic and community-based activities.

Several submissions recommend the extension of the mutuality principle to provide a complete tax exemption for member-based organisations to provide clarity and certainty.

Submissions on the appropriateness of the fringe benefits tax (FBT) concessions for NFP organisations present mixed views. While some favour the abolition of these concessions, others suggest eligibility should be broadened. One submission notes that the value of FBT concessions has been eroded over time.

Submissions note that the gift deductibility arrangements impose compliance costs on individuals, and express concern that the rewards for charitable giving vary depending on the income of the contributor (the higher their applicable marginal tax rate, the greater the benefit).

## 8 Complexity — cost, risk and transparency

### Overview

The tax-transfer system is very complex. To a degree this reflects the reality of the modern world. Some complexity is unavoidable in a system that also has equity and efficiency objectives. However, complexity adds cost and risk to day-to-day business and personal activities. It affects the choices individuals make to work, save and consume. The time and resources individuals and businesses spend understanding and complying with the tax-transfer system could be devoted to more productive or satisfying activities. Complexity also makes the system more costly to administer. These costs impact on Australia's international competitiveness and the efficient allocation of society's resources.

Complexity also reduces transparency — that is, the extent to which people understand how the system works and what it is trying to achieve. This can impact on people's attitudes to the system, including its perceived legitimacy and people's willingness to voluntarily comply.

Sources of complexity include the large number of taxes and transfers, detailed rules associated with each, the interaction between them, different jurisdictions applying similar taxes or transfers in different ways, and the way taxes and transfers are administered.

Accordingly, reducing complexity may demand: reconsideration of the range of complex policies and objectives embodied in the system; integration and streamlining its currently fragmented administration; and greater certainty, transparency and public engagement in the overall management of the system.

### Consultation questions

- Q8.1 Which taxes or transfers are the most complex and impose the greatest costs? How should these costs be reduced (by abolishing the taxes or transfers or by making the rules applying to them simpler)?
- Q8.2 In what ways might the administration of Australia's tax-transfer system be changed to better meet the needs of individuals and businesses? How might the process of personal income tax returns be simplified, including by removing the requirement for some taxpayers to lodge returns? Should the administration of the system be more integrated (across taxes and transfers and between jurisdictions)? How might advances in technology assist?
- Q8.3 To what extent might policy objectives be traded off to achieve a simpler system? In what areas should efficiency, equity or choice be traded off for simplicity?
- Q8.4 How could the governance of the tax-transfer system be reformed to reduce complexity, uncertainty and cost, and to improve transparency, understanding and support for the system?

## Key messages in submissions

Many submissions identify complexity as a major problem with the tax-transfer system. While most acknowledge that the system will always contain some complexity, they suggest that simplification should be a high priority.

In particular, many raise concerns that there are too many taxes (state and federal) trying to achieve too many objectives. They suggest eliminating a range of taxes, mostly state taxes, which they perceive to be the least efficient. A number of business groups also noted that businesses that operate across States often have trouble dealing with differences in the application of taxes such as payroll tax and this adds to compliance costs.

In relation to individual taxpayers, submissions are concerned about Australia's very high reliance on tax agents. Record keeping and retention are also seen to have a high cost. Examples are given where people miss out on benefits due to difficulty in finding the right information or onerous record keeping requirements.

Submissions from big business and many business groups argue that the business tax system should be more closely aligned to accounting profit. Businesses operating across state boundaries express concern about having to deal with multiple revenue authorities. Some submissions suggest transferring some or all of the revenue collection responsibilities of state revenue authorities to the Australian Taxation Office (ATO).

For small to medium businesses, there is particular concern about the detail, volume and complexity of the tax law relating to specific transactions.

There is concern that the burden of complexity falls disproportionately on those least able to deal with it). Some called for this to be acknowledged by placing greater emphasis on simplifying taxes on small business and the tax-transfer system for individuals.

Some submissions suggest that uncertainty in the system is creating excessive compliance risks, which are damaging international competitiveness and inhibiting business. In particular, it is argued that the ATO does not always provide timely, consistent and reliable advice. These submissions suggest this is a problem of culture, focus and governance. They propose changes in tax administration, including the establishment of a board of directors to oversee the operation of the ATO.

Submissions propose various ways to improve interaction with the system for individuals. At one end of this spectrum are measures to streamline or simplify existing taxes and transfers. At the other end are more radical approaches to simplifying and integrating the system.

A common theme in submissions is the need for the tax policy process to be more open and transparent, particularly around the trade-offs between efficiency, equity and simplicity. Submissions also identify the lack of a guiding plan as one of the chief contributors to tax system complexity. The absence of a plan leads to ad hoc changes, increasing the risk of unintended consequences and increasing complexity and compliance costs. Submissions highlight the need for transparency, stability, accountability and certainty in the institutions of the tax-transfer system.

## 9 State and local taxes and transfers in the Australian federation

### Overview

A well functioning federal tax-transfer system is necessary if Australia is to meet the challenges of the coming century and make the most of future opportunities. Through a lack of coordination in policy and administration, the federation's tax-transfer system has become disjointed and complex, imposing unnecessary costs on all Australians.

Reforms which enhance the accountabilities, integration and efficiency of the federation's tax-transfer system can improve the functioning of the federation by reducing costs, removing complexity and improving resource allocation.

There are many issues that need to be taken into account when considering possible reforms to the way the tax-transfer system operates across the federation. Central to this is the trade-off that may occur in relation to the accountability (and other benefits) of State governments for raising their own revenue and the complexity and efficiency of the federal system. In addition, having different transfer policies in different States as well as multiple administering agencies for both taxes and transfers is a source of further complexity and possible inequities.

### Consultation questions

- Q9.1 Noting the overall structure of Australia's federal financial arrangements, what changes, if any, should be made to the assignment of revenue raising powers and intergovernmental transfers in Australia?
- Q9.2 Given the widely held view in submissions that the current state tax arrangements need to be reformed, what changes should be made to state and local government own source revenue instruments? What scope is there for greater use of user charging to bring social, environmental or economic benefits?
- Q9.3 What is the appropriate allocation of the roles of the Australian and state governments in income redistribution?
- Q9.4 What opportunities could be pursued to deliver more seamless administrative arrangements of the tax-transfer system across the federation?

## Key messages in submissions

Many submissions note the complexity that arises from multiple levels of government being involved in the tax-transfer system. A number suggest abolishing some state and local taxes and funding the reduced revenue by increasing grants from the Australian government.

Other submissions express concern that vertical fiscal imbalance weakens accountability for spending decisions at the State level and suggest that it be addressed by transferring state spending functions to the Australian government or by increasing States' own source revenues, for example, by allowing the States to share the income tax base with the Australian government.

A number of submissions note that the mix of taxes currently levied by the States (and, to a lesser extent, local government) is inefficient and inequitable. Business groups note complexity and compliance costs arising from the different structure and administration of taxes across States.

Many submissions call for the abolition of payroll tax. Others suggest broadening and harmonising payroll tax at a lower rate as an interim position. Submissions that present efficiency analysis of state taxes, however, suggest that payroll tax is one of the more efficient state taxes.

Some submissions believe land tax should be abolished, others that it should be broadened by removing exemptions and concessions. A few think that land tax should be harmonised across the States or become a federal tax. There is general agreement that stamp duty on conveyances should be abolished. Several submissions express concerns with the impact that housing related taxes and charges imposed by state and local governments have on housing prices.

Several submissions propose that insurance duty and Fire Services Levy be abolished, arguing that this is multiple taxation of insurance products. Many submissions propose changes to state motor vehicle taxes, so that the rate of tax depends on the carbon emitted from the car. One submission argues that gambling should be taxed the same as other industries.

Some submissions note the interaction between federal transfer payments and state concessions for services such as public transport, as well as concessional tax rates, most notably local government rates. There is concern that the interaction of transfer payments and concessions can create stronger attachment to (means-tested) transfer payments and this can have implications for labour force participation. Some submissions propose that, to address this complexity, only the Australian government should be involved in redistributing economic resources.

Submissions consider that efficiency and simplicity could be improved if a central agency (such as the Australian Taxation Office) administers either individual state taxes (such as payroll tax) or the States' entire tax system.

## 10 Tax and transfer impacts on housing

### Overview

Housing plays an integral role in Australian society. It provides a source of shelter and a base for people to participate in communities and the workforce. It is the largest store of the nation's wealth and a major source of retirement savings for home owners.

The tax-transfer system affects the housing market through a range of taxes, concessions and transfers, which in some cases are targeted at certain housing tenures or income levels. These aspects of the system influence the type of homes people live in, the way they save and invest, including for their retirement, and the affordability of housing. Through its treatment of housing, the tax-transfer system also delivers significant assistance to particular groups of Australians, which affects the overall equity of the tax-transfer system.

### Consultation questions

- Q10.1 What should be the objective of the tax-transfer system in respect of housing? Should there be assistance for housing over other assets or services? Should assistance be based on housing tenures? Should assistance be focused on people on low incomes? Should assistance differ between public and private tenants?
- Q10.2 What role, if any, should the tax-transfer system play in respect of housing affordability? Should the tax-transfer system be used to influence housing supply and/or demand to improve housing affordability? What changes, if any, should be made to housing-related transfers that assist disadvantaged households to find housing?
- Q10.3 Recognising the influence that some taxes and transfers have on the use of housing and residential land, what changes, if any, should be made to ensure the housing stock and residential land are used efficiently?

## Key messages from submissions

Some submissions support tax-preferred treatment of housing because of its social benefits. Others argue on equity grounds that housing should be taxed like other assets.

Submissions contain mixed views about whether property owners are paying a 'fair share' of tax. Several note that housing is subject to many taxes at all levels of government and claim that the sector is over-taxed. Others argue that housing is favourably treated.

There is some concern that the principal residence from CGT encourages excess investment in housing. A number of submissions also question the land tax exemption for the family home, noting the significant narrowing of the potential tax base that this creates and expressing concern about equity between owner-occupiers and renters. A number of submissions suggest that land tax encourages high-value, commercial developments.

Other submissions claim that private rental investment is advantaged because of access to 'negative gearing'. Some submissions suggest that negative gearing for investors and owner-occupiers' exemption from CGT benefit higher income Australians. Others argue that negative gearing supports the provision of affordable rental housing.

A number of submissions claim that negative gearing has reduced housing affordability by causing speculation in the housing market. Several submissions propose restricting negative gearing or directing it so that it promotes the supply of affordable housing. The housing industry argues for the retention of negative gearing on the grounds, inter alia, that the temporary removal of negative gearing lead to an increase in rents in 1987.

Developers and the construction industry argue that taxation is an important contributor to high housing prices. GST, developer charges and stamp duties are claimed to have increased strongly over the past 10 years. Some submissions argue that 35 per cent of the cost of broad acre development in north-western Sydney is attributable to these taxes and charges. Other submissions suggest that tax plays relatively little role, arguing that recent low affordability is attributable to economic fundamentals boosting demand and institutional arrangements constraining supply.

Some submissions claim that investors have enjoyed systemic tax advantages and that this has decreased affordability for owner-occupiers. Submissions raise concerns about housing affordability for low-income renters, citing the level of Rent Assistance compared to the costs of renting, including variable rents in different parts of the country.

In terms of the transfer system, a number of submissions suggest that pensioners who own their own home are more favourably treated. Several submissions argue low-income renters receive payments that are too low and do not keep pace with growth in rents.

Stamp duty is claimed to discourage people from relocating and to be unfair and inefficient. A number of submissions estimate the efficiency costs of state taxes, finding stamp duty to be among the least efficient and land tax among the most efficient. Many submissions propose abolishing stamp duty, perhaps replacing it with a modified land tax.

# 11 Taxes on specific goods and services

## Overview

In addition to the broad-based GST, there is also a range of consumption or other indirect taxes levied on narrow bases, including excise collected by the Australian Government, and other taxes collected by the States. Products subject to these narrow-base taxes, are taxed relatively more heavily than other consumption goods.

The decision whether to tax some consumption goods more highly than others, and the optimal design of a particular tax, depends on the policy objective it is trying to achieve.

The current tax arrangements for beer, wine, spirits, tobacco and luxury cars reflect a range of competing policy goals. They exist in the context of other forms of regulation and the broader tax-transfer system.

## Consultation questions

- Q11.1 Is it appropriate to use taxes on specific goods or services to influence individual consumption choices, and if so, what principles can be applied in designing the structure and rates of such taxes?
- Q11.2 Can the competing potential objectives of alcohol taxation, including revenue raising, health policy and industry assistance, be resolved? What does this mean for the decision to tax alcohol more than other commodities?
- Q11.3 What is the appropriate specific goal of taxing tobacco? Is it necessary to change the structure or rate of tobacco taxes?
- Q11.4 If health and other social costs represent the principal rationale for specific taxes on alcohol and tobacco, is any purpose served in retaining duty free concessions for passenger importation of these items?
- Q11.5 Are taxes on specific 'luxury' goods an effective way of making the tax system more progressive? If so, what principles should apply to the design and coverage of these taxes?
- Q11.6 Should the tax system have a role in influencing the relative prices of different types of cars, including luxury cars and higher polluting cars, and if so, on what basis? What does this mean for taxes on the purchase price of motor vehicles?

## Key messages in submissions

In relation to alcohol, many submissions are concerned with the complexity of the existing tax structure, arguing that current arrangements reflect compromises between raising revenue, protecting domestic industry and improving public health. There is some support for reform based on an evidence and principle-based, alcohol taxation regime.

The health sector notes the significant health problems associated with alcohol abuse, and regards tax as a way of reducing overall consumption and the associated harms. Industry groups stress that harms from alcohol depend on how it is consumed. They argue that programs aimed at specific groups or behaviours are a better option.

Submissions concerned with public health argue that the basis of alcohol taxation should be the alcohol content (and possibly strength) of the beverage – ‘volumetric taxation’. In addition, one health public advocate suggests a ‘floor price’ for alcohol sales. Some submissions note that the current regime violates these principles, for example beer in kegs is more lightly taxed than other beer. One submission notes that 96 per cent of wineries do not bear any wine equalisation tax, on account of a policy to support small producers.

Industry submissions suggest that a revenue-neutral shift to volumetric taxation would decrease the price of spirits and increase the price of cheap wine. Some submissions oppose volumetric taxation, on the basis that consuming low-strength alcohol is less risky than consuming high-strength products, or on the basis that it would allow the introduction of new products that could not then be addressed through specific taxes.

In relation to tobacco, the health sector supports increasing taxes by around \$0.075 per stick as an important means of reducing tobacco use and its associated health impacts. It also recommends the abolition of duty-free tobacco.

The tobacco industry argues that the current regime of tobacco taxation provides certainty for industry, consumers and government, while helping to control tobacco use and providing government with a significant and stable revenue stream.

Both the health sector and the industry acknowledge that higher taxes on tobacco would increase incentives for illicit trade in untaxed tobacco. The health sector believes that tighter regulation and enforcement would be necessary. The industry believes that the risk of more illicit trade is an argument against increasing tobacco taxes.

Motor industry submissions generally support abolition of the luxury car tax (LCT) and, as a fallback, argue that the threshold should be increased to at least \$70,000. Other industry submissions argue that the increase in the LCT announced in the 2008-09 Budget will reduce both sales of luxury cars and LCT revenue.

A considerable number of submissions link the LCT with environmental concerns, arguing either that the tax has no real environmental benefits or that it should be replaced with a tax on cars based on their fuel efficiency.

Some submissions note the relatively narrow base of the LCT and, in particular, that no special tax is imposed on other luxury goods. Most see this as an argument for abolishing the LCT, others as an argument for extending the LCT to other luxuries.

## 12 Fuel, roads and transport

### Overview

The efficient movement of people and goods is an important contributor to productivity and wellbeing. Improving the structure of taxes and charges related to transport can improve efficiency.

Taxes on motor vehicle fuels provide a considerable share of revenue, but contribute little to reducing the location and time specific costs of motoring. Different tax treatments of alternative fuels may also further reduce the efficiency of fuel taxes. Different types of transport are also taxed in different ways, potentially altering economic behaviour.

There may be opportunities to replace existing taxes with more targeted taxes and charges that promote the efficient use of transport networks. In particular, emerging technologies may have a role in targeting the social costs of motoring such as air pollution, greenhouse gas emissions and damage to publicly funded roads.

### Consultation questions

- Q12.1 How can motor vehicle related taxes and road funding arrangements be designed to improve the efficiency of transport of people and goods in Australia?
- Q12.2 What should be the role, if any, of fuel taxes? What does this mean for how fuels and their uses are taxed and the rates of tax applied?
- Q12.3 Do the existing tax arrangements lead people to make economically inefficient transport choices, and if so, how might they be improved?

## Key messages in submissions

Many submissions note that the purchase and use of motor vehicles are taxed more than other forms of consumption. Submissions also note that the use of motor vehicles imposes costs on society, through greenhouse gas emissions, air pollution, noise pollution, urban congestion and road trauma.

Some submissions see fuel tax as a way of addressing these externalities, though many see the CPRS as a better way of addressing carbon emissions. Some submissions argue that fuel tax credits constitute an inappropriate subsidy for on-road heavy vehicles use and off-road uses. Some suggest that the current tax system favours the use of cars over public transport. Others propose low tax for alternative fuels on environmental grounds or to encourage investment in infant industries. Some contributors suggest that a fuel tax system based on energy content would be an improvement over the current system.

Many submissions are concerned that transport taxes distort consumer choices between public and private transport, and between road, rail and air travel. Other submissions noted that governments earned 'rents' from issuing a limited number of taxi licences.

There is some support for applying road user charges to light as well as heavy vehicles, as a method of 'demand management'. Others suggest that registration, insurance and fuel charges be replaced by charges that reflect vehicle mass, distance travelled and the location of use. One suggestion is to charge for driving in inner-city areas at certain times of day.

A few submissions suggest that revenue from pricing on specific roads should be returned to the road network in a way that reflects the roads from which it is collected. According to local government submissions, this may be an effective way to fund local roads.

Some submissions argue that stamp duty on motor vehicles and import tariffs are an obstacle to upgrading to more fuel-efficient vehicles. Others suggest that taxes on the purchase of motor vehicles should promote fuel-efficiency. Many submissions argue that the fringe benefits tax treatment of motor vehicles leads to their over-use.

Some submissions consider that, because aviation fuel is lightly taxed, air transport receives a subsidy from the tax system. Some suggest that this is environmentally damaging because aviation is more energy intensive than other forms of transport. They also suggest that this favoured more wealthy Australians who can afford air travel.

The aviation sector is concerned that existing taxes and user charges on aviation involve cross-subsidies. Some carriers support tax breaks for air transport to regional areas. International carriers argue that the passenger movement charge overcharges for the services actually provided.

The shipping sector argues that Australia's tax system reduces the competitiveness of Australian shipping. They advocate replacing the company tax for Australian shipping with a 'tonnage tax' and giving tax breaks to seafarers.

Some submissions argue that fuel excise should be automatically indexed to CPI so that the tax portion of fuel prices does not fall over time. Others consider that the 'tax on tax' or 'double taxation' is unfair, and that the GST on fuel or fuel excise should be removed.

## 13 Tax-transfer impacts on the environment

### Overview

Australia faces significant environmental challenges in the 21st century, ranging from global issues, such as climate change, to local issues, such as water scarcity, land degradation and species loss. Economic development must be undertaken in an environmentally sustainable way, while also recognising that the environment itself has value.

Taxes may provide one means of improving environmental amenity. The tax-transfer system can also detract from environmental outcomes through the incentives it creates. Such incentives need to be carefully evaluated against other policy objectives.

### Consultation questions

- Q13.1 Bearing in mind that tax is one of several possible instruments that can address environmental externalities, what opportunities exist to use specific environmental taxes to address Australia's environmental challenges?
- Q13.2 Noting that many submissions raise concerns over unintended environmental consequences of taxes and transfers, such as the fringe benefits tax concession for cars, are there features of the tax-transfer system which encourage poor environmental outcomes and how might such outcomes be addressed?
- Q13.3 Given the environmental challenges confronting Australian society, are there opportunities to shape tax-transfer policies which do not currently affect the environment in ways which could deliver better environmental outcomes?

## Key messages in submissions

A range of submissions argue that, in addition to a Carbon Pollution Reduction Scheme, tax concessions should be introduced to further reduce the carbon emissions of the Australian economy by encouraging non-polluting transport modes, renewable energy generation and energy efficiency investments.

Similarly, a number of submissions argue that a range of tax concessions should be provided for activities and investments that address local environmental problems such as land degradation, inefficient water use and threats to native species. Proposals include incentives to promote the pursuit of conservation activities on private land, such as farmland. There is some support for ensuring that state vehicle transfer and annual registration taxes should be lower for more fuel-efficient vehicles.

Of submissions concerned about the environment, around a third are primarily concerned with the fringe benefits tax arrangements for motor vehicles. Most argue that the current system encourages people to drive more and contributes to noise, air pollution, greenhouse gas emissions and urban traffic congestion. Many indicate that they would like a tax system which offers some support to sustainable urban transport modes such as cycling, walking or public transport, while recognising that people outside urban areas have limited alternatives to private car travel.

A few submissions argue that tax expenditures should be reviewed to identify those with environmental consequences and reformed to eliminate any destructive impacts.

## 14 Natural resource charging

### Overview

Natural resources are an essential input to Australia's productive capacity. The way in which Australia uses its natural resources is an important determinant of the level of economic growth. It also affects the environment now and into the future.

Ensuring the community obtains maximum value from the appropriate use of its natural resources is an important part of an efficient tax system. The tax system can influence the rate at which resources are extracted and the capacity of future generations to enjoy the benefits of natural resources. Issues which need to be taken into account in considering the taxation of natural resources include the size of the recoverable stock of the resource and how quickly (if at all) it is able to renew, the effect of taxes on investment decisions, which level of government taxes the resource, and the alternative uses of resources outside commodity markets.

### Consultation questions

- Q14.1 When considering the appropriate return to the Australian community for the use of its non-renewable resources, what relative weight should be given to the determinants of that return?
- Q14.2 What is the most appropriate method of charging for Australia's non-renewable resources, given they are immobile but that Australia needs to compete globally for mining investment?
- Q14.3 What is the role of the tax system in ensuring that renewable resources are used both sustainably and efficiently?

### Key messages from submissions

Some submissions suggest that there is potential to increase revenue from natural resources in the context of the overall tax mix.

Submissions from the mining sector argue that the sector's large capital expenditures and the long life of investments require stability in revenue arrangements. Consequently, any changes to mining sector revenue arrangements should only apply on a prospective basis. These submissions also state that consultation with industry prior to the introduction of any changes to existing resource pricing arrangements is critical.

One mining industry submission favours profit based arrangements over ad valorem arrangements.

Submissions from the mining sector also propose more generous tax depreciation arrangements.

Submissions from environmental organisations argue that renewable resources are being used at a rate that does not take into account their full value and is, therefore, unsustainable. Connected with this concern is a view that government involvement in the allocation and pricing of natural resources needs to be reviewed so that renewable resources are used more efficiently and in a way that improves environmental outcomes.

# Appendix A: Terms of reference

## Objectives and scope:

1. The tax system serves an important role in funding the quality public services that benefit individual members of the community as well as the economy more broadly. Through its design it can have an important impact on the growth rate and allocation of resources in the economy.
2. Raising revenue should be done so as to do least harm to economic efficiency, provide equity (horizontal, vertical and inter-generational), and minimise complexity for taxpayers and the community.
3. The comprehensive review of Australia's tax system will examine and make recommendations to create a tax structure that will position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century and enhance Australia's economic and social outcomes. The review will consider:
  - 3.1. The appropriate balance between taxation of the returns from work, investment and savings, consumption (excluding the GST) and the role to be played by environmental taxes;
  - 3.2. Improvements to the tax and transfer payment system for individuals and working families, including those for retirees;
  - 3.3. Enhancing the taxation of savings, assets and investments, including the role and structure of company taxation;
  - 3.4. Enhancing the taxation arrangements on consumption (including excise taxes), property (including housing), and other forms of taxation collected primarily by the States;
  - 3.5. Simplifying the tax system, including consideration of appropriate administrative arrangements across the Australian Federation; and
  - 3.6. The interrelationships between these systems as well as the proposed emissions trading system (ETS).
4. The review should make coherent recommendations to enhance overall economic, social and environmental wellbeing, with a particular focus on ensuring there are appropriate incentives for:
  - 4.1. workforce participation and skill formation;
  - 4.2. individuals to save and provide for their future, including access to affordable housing;
  - 4.3. investment and the promotion of efficient resource allocation to enhance productivity and international competitiveness; and

- 4.4. reducing tax system complexity and compliance costs.
5. The review will reflect the government's policy not to increase the rate or broaden the base of the goods and services tax (GST); preserve tax-free superannuation payments for the over 60s; and the announced aspirational personal income tax goals.
6. The review's recommendations should not presume a smaller general government sector and should be consistent with the Government's tax to GDP commitments.
7. The review should take into account the relationships of the tax system with the transfer payments system and other social support payments, rules and concessions, with a view to improving incentives to work, reducing complexity and maintaining cohesion.
8. The review should take into account recent international trends to lower headline rates of tax and apply them across a broader base, as well as domestic and global economic and social developments and their impact on the Australian economy.
9. The review will also incorporate consideration of all relevant tax expenditures.

### **Composition and consultation:**

10. The Review Panel will be chaired by the Secretary to the Treasury, Dr Ken Henry AC and will also comprise Mr Greg Smith (Australian Catholic University); Dr Jeff Harmer (Secretary of FaHCSIA), Heather Ridout (Australian Industry Group), and Professor John Piggott (University of New South Wales).
11. The Review Panel will be supported by a working group from within the Treasury, with representation from the Department of Families, Housing, Community Services and Indigenous Affairs, and drawing on other Australian Government and state agencies as appropriate.
12. The Chair may task members of the Review Panel to oversee programs of work related to their field of expertise.
13. The Review Panel will consult the public to allow for community and business input.
14. The review will also, where necessary, draw on external expertise and shall have the cooperation of State Governments and their Treasuries as well as relevant COAG working groups.
15. The Minister for Families, Housing, Communities Services and Indigenous Affairs will provide input on issues related to transfer payments, family assistance and retirement incomes.

### **Structure and timing:**

16. The review process will be conducted in several stages. These will follow the release of an initial discussion paper by Treasury on the architecture of the tax system and an examination of the existing tax rates and bases (excluding the GST). The paper will be released by the end of July 2008.

17. The Review Panel will provide a final report to the Treasurer by the end of 2009. The Government will respond in a timely way to the tax review's recommendations as they are released.

## Appendix B: List of submissions

As at 14 November 2008, the Panel had received around 440 submissions from a wide cross-section of the community. The submissions contributed to the development of the *Consultation paper* and the separate *Retirement income consultation paper*.

Submissions are treated as public documents unless authors have specifically requested confidentiality. All authors of public submissions to the review (as at 14 November 2008) are listed in alphabetical order below. Authors who requested confidentiality, or whose submissions contain personal information, are not listed.

To read the public submissions, please visit the review website at [www.taxreview.treasury.gov.au](http://www.taxreview.treasury.gov.au)

Abacus Australian Mutuals	Australia Council of Trade Unions	Australian Historic Motoring Association
Adam, Karin	Australia Council of Wool Exporters and Processors	Australian Institute of Superannuation Trustees
Alexander, Bev	Australia ICOMOS	Australian Institute of Aboriginal and Torres Strait Islander Studies
Alexander, Trish	Australia New Zealand Leadership Forum	Australian Liquefied Petroleum Gas Association
Allan, Margaret	Australia New Zealand Secular Association	Australian Local Government Association
Allatt, Craig	Australia Society of Authors	Australian Pensioners and Superannuants League WA Inc
Allen, D.C.K.	Australian Automotive Association	Australian Petroleum Production & Exploration Association Limited
ALP Adamstown Branch	Australian Bankers Association	Australian Publishers Association
AMP	Australian Bicycle Council	Australia's Biotechnology Organisation
Anderson, Glenn	Australian Charity for the Children of Vietnam	Aveling, Ben
Andersson, Michael	Australian Communications and Media Authority	AXA Asia Pacific Holdings Ltd
Anglican Church Diocese of Sydney	Australian Conservation Foundation	Ayres, Avinash
Anglicare Australia	Australian Council for the Arts	Baker, Ron
Arthur, David	Australian Council of National Trusts	Ball, Chris
Ashcroft, Frank	Australian Council on Smoking Health	Batallion Legal
Association for Good Government	Australian Employee Ownership Association	Batten, Peter
Association for Good Government ACT	Australian Finance Conference	Biofuels Association of Australia
Association of Consulting Engineers	Australian Financial Markets Association	Bishop, Peter
Association of Independent Retirees Limited	Australian Foundation Investment Company Limited	Blachard, R.D.
Atheist Foundation of Australia	Australian General Practice Network	Blackburn, Jenny
Ausbiotech		Blows, Mark and Johanna
Austen, Mark		Blunt, Elspeth
Australia and New Zealand Banking Group Limited		
Australia Chamber of Commerce and Industry		
Australia Council for the Arts		

Board of Airline Representatives of Australia Inc	Construction, Forestry, Mining and Energy Union of Australia	Gallagher, Anthony
Bob Such MP	Consumer Credit Legal Centre	Gasteen, G. Peter
Bond, Graham	Conyers, Anna	Gaunt, Ronald
BP Australia Pty Ltd	Corporate Tax Association and Ernst & Young	Georgist Education Association Inc
BPW Australia	Corporate Taxpayers Group	Gifford, Elaine and John
Brand Hoff	Council of Single Mothers and their Children	GM Holden
Brisbane-Webb, Paul	Cox, Cathy	Goegan, Peter
British American Tobacco Australasia	CPA Australia	Goodall, David
Brons, Cornelis A.	Cracknell, Ken	Goodwin, Ken
Brons, Ron	Croke, Greg	Gordon, Tom
Brookes, John	Curtin, Michael	Grage, Poul
Brotherhood of St Laurence	Curtis, Chris	Graham, John
Brown, Timothy	Cycling Promotion Fund	Graham, Lorraine
Buchler, Dan	Danila Dilba Health Service	Grant Thornton Australia Ltd
Burke, Gary	Davies, Thomas	Grant, Ian C.F.
Business Coalition for Tax Reform	Dawes, Marc	Gray, Marion
Business Council of Australia	Dawson, Simon	Gray, Saide
Callinan, C.J.	Diment, Alex	Gulf Savannah Development
Campbell, Wayne	Distilled Spirits Industry Council of Australia	Hagstrom, Eva
Cancer Council and National Heart Foundation	Doherty, Matthew	Halacas, Chris
Carlisle, John	Duigu, Gabi	Hall, Christine
Carrad, Hudson	Dunnill, Maggie	Hall, Michael and Joan
Carson, Anthony	Dunsford, Geoff and Wickham, Darren	Hamilton, Ryan
Cassidy, Rosemary	Durney, Joanna	Hamilton, Stuart
Challenger Financial Services Group	Durnin, Judith	Haniszewski, Stan
Chamber of Commerce and Industry of Western Australia	Edgerton, Dr Brett	Harris, Geoffrey
Chapman, George	Evans, Dr Michael	Harrison, Steve
Cielinski, John	Evans, Rod	Hart, Richard G.
City of Mandurah	Fairhall, Lloyd	Hearn, Bill
Coca Cola Amatil	Farthing, Annie	Henkel, Geoff
Cole, Andy	Financial Planning Association of Australia	Heritage Council of Victoria
Collins, Anne	Flanagan, Anne	Hill, R.D. & E.M.
Commerce Queensland	Floyd, Stephen	Hobbs & Associates
Commissioners for Children and Young People	Foresters ANA Mutual Society Ltd and Parent to Parent Association Queensland Inc	Hodgson, Patience
Communications Electrical Plumbing Union Retired Members Association	Foresters Community Finance	Hogbin, Janne
Community and Public Sector Union	Frazer, Murray	Holmes, Peter
Condon, Thomas	Fullarton, AR	Hotel, Motel and Accommodation Association
	Gale, Irene	Housing Industry Association
		Howell, Roscoe
		Hurley, Steve
		Hurley, Tim
		Hutchings, Sharon
		Independent Distillers Australia

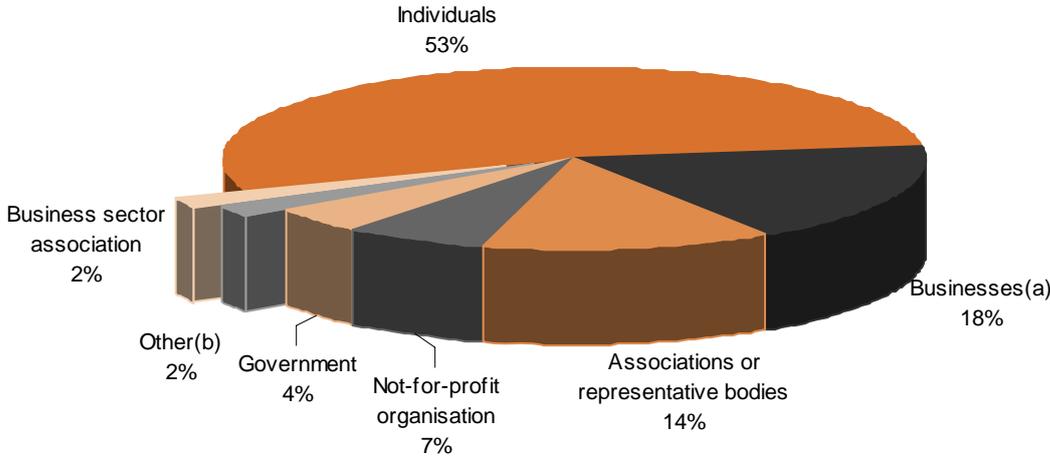
Industry Super Network	Madell, Bob	Notholt, Paul
Infrastructure Partnerships Australia	Madigan, Richard	Nott, Alan E.
ING Australia	Mannison, Mary	NSW Business Chamber
Institute of Actuaries of Australia	Maritime Union of Australia	O'Donnell, Carol O.
Insurance Australia Group	Martin, P and Warren, K	Orams, Wendy
Insurance Council of Australia	Master Builders Australia	Ord, Michael
Investment and Financial Services Association Ltd	Matthews, Garry	Oxfam Australia
Ireland, David	Mawdsley, Anthony	Pace, Julie
Isakov, Milenko	McDowall, Kenneth Ian	Pacific Brands Limited
Isolated Childrens Parents Association	McEwen, Sandra	Parkes, Larry
Jackson, Robert	McGreevy, Stephen	Payne, Elsa
Jacobi, M	McIlroy, Keith	Peck, Chris
Johanson, AR	McIntyre, Clive	Pennington, Jane
Johnston, Adam	McKinna, Ian	People for Ecologically Sustainable Transport
Kavanagh, Bryan	McPherson, Margaret	Petersen, Barry
Keats, Reyn	Mercer Australia	Peterson, Tony
Kenrick, Robert	Metropolitan Transport Forum	Pfizer Australia
Kern, Lincoln	Meyer, Jake	Philps, Nicole
Killeen, Helen	Middleton, David	PKF Chartered Accountants and Business Advisers
King, GM	Mihaljevic, Marijana	Police Federation of Australia
Kit Fennessy	Minerals Council Australia	Pope, Jeff
Koci, Stephen	Mitchell, Donald	Portnoy, Alex
KPMG and the Institute of Chartered Accountants in Australia	Moffet, Russell L	PricewaterhouseCoopers
La Trobe University and RMIT	Moody, Tony	PricewaterhouseCoopers New Zealand
Lagarenne, Bernard	Moore, Christopher	Property Council of Australia
Land and Environment Planning	Moore, Justin	Prosper Australia
Land Values Research Group	Moreland City Council	Prout, Ross
Lang, Laurie	Moreton Bay Regional Council	Public Interest Advocacy Centre Ltd
Laris, Paul	Moss, Helen	Public Interest Law Clearing House
Law, Colin & Anne	National Disability Services	Public Transport Users Association
Lawrence, John	National Ethnic Disability Alliance	Qantas Airways Ltd and Virgin Blue Airlines Pty Ltd
Lefevre, Kay	National Farmers Federation	Rac, Meg
Legge, David	National Institute of Accountants	Raicu, Stefan
Lester, Richard	National Insurance Brokers Association	Rainbow, J.G.
Lester, Tom	National Transport Commission	Rationalist Society of Australia
Lim, Li Li	National Welfare Rights Network	Regional Aviation Association of Australia
Local Government Association of South Australia	New Internationalist Publications Pty Ltd	Renton, Nick
Lowcock, Michael	New Zealand Treasury and Inland Revenue	Revenue Review Foundation
MacDonald, Chloe	Newman, Neil	
	Noack, Jane	
	Nock, Trevor	

Rheem Australia Pty Ltd	Stanford, Charles	Weir, Olive
RiceWarner Actuaries	Stewart, Miranda and O'Connell, Ann	Wells, Jessie
Richardson, Jim	Stoner, Arthur	West-Newman, Steve and Lisa
RL Lewis Pty Ltd	Summer, Beau	Wheatley, Howard
Roberts, Andrew	Summers, Brian	White, Ellen
Roberts, G.W.	Swainston, John	Whitton, Evan
Ronan, Nick	Tanner, Richard J.	Wickham, Darren
Rose, Andrew	Tasmanian Association of Microbrewers	Wilden, John
Rose, Kathryn	Tasmanian Department of Environment, Parks, Heritage and the Arts	Wilkes, Vikki
Rowan, Peter	Tasmanian Heritage Council	Wilkin-Smith, Tim
Rowland, Patrick	Taxation Institute of Australia	Wilkinson, Giselle
Royal Automobile Club of Queensland	Taylor, Brian	Will, Noel
Russel-Stone, Christine	Telstra	Williams, Joe
SA Superannuants	The Australian Taxation Reform Group Inc	Williams, Neal
Sach, Roy	The Tax Base Pty Limited	Williams, Robert
Saunders, Gillian	Thomas, George and Kay	Williams, Stephen
Schaper, Peter	Thompson, Dianne	Wilson, Raymond Henry
Schlottmann, Eva	Thompson, Garry	Wilson, Richard
Schorel-Hlavka, Gerrit H	Thorp, David	Winemaker's Federation Australia
Schwab, Simon	Thorpe, Glenn	Winthrop, Ronald Patrick
Scolyer, David	Tieman, Dieter	Withers, Alison
Secular Party of Australia	Tipping Point Institute Pty Ltd	Women's Action Alliance
SEDA Opals	Tomlinson, John	Woodside Energy
Sellar, Edward A. M.	Tourism Transport Forum	Woolworths Limited
Seventh-day Adventist Church	Toyota Finance Australia Ltd	YMCA Australia
Sigh Verick, Amarjit	Triumph Sports Owners Association of WA	Young, Jill
Singer, David	Trotter, George	Zeitoun, Anthony
Skipworth, Gail	Tuckerman, Philip	
Smith, Derek	Uniting Church in Australia	
Smith, Jeanne	Urban Taskforce Australia	
Smith, Michele	Varley, Claire	
Smith, Rae	Victorian Farmers Federation	
Smith, Robert Lloyd	Victorian Land Tax Coalition	
Smith, Roland A	Walker, Caroline	
Smithers, Graham	Walker, Greg	
Smokeless Tobacco Action Group	Walker-Roberts, Brett	
Snowball, Clare	Walker-Rolls, Anne	
Spain, David	Way, Melissa	
Spakia Pty Ltd	Webster, Stewart	
Sporting Wheelies and Disabled Association		
Spry, Shae		
St Vincent de Paul Society		

# Appendix C: Analysis of submissions

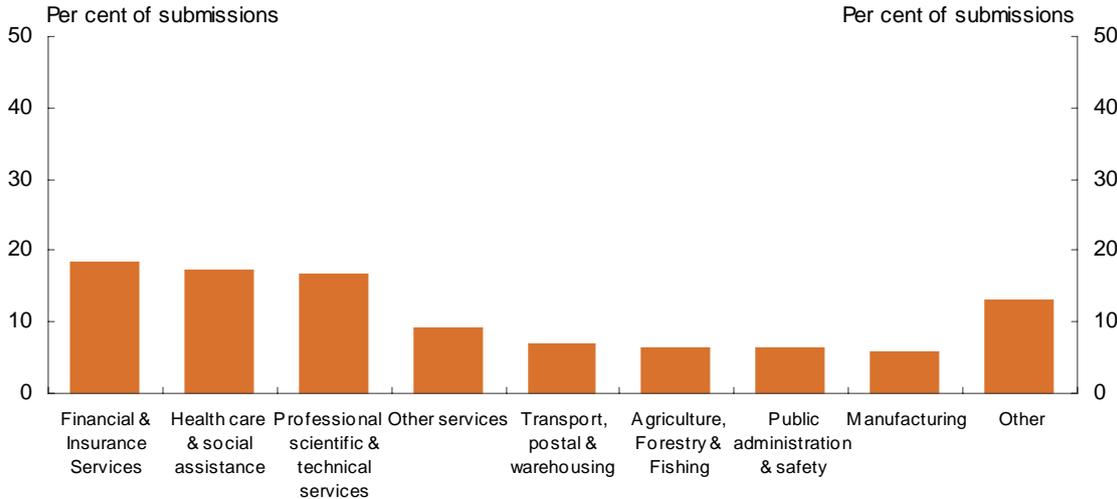
As at 14 November 2008 the Panel had received around 440 submissions from a wide cross-section of the community. A graphical analysis of the submissions by source and issues raised is presented below.

**Chart C1: Composition of authors**  
All submissions



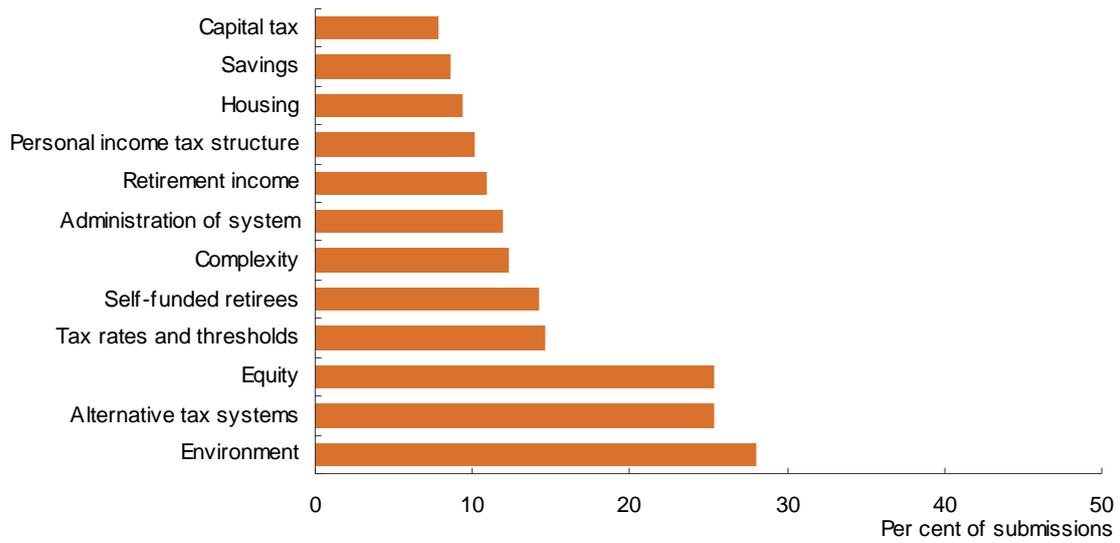
- (a) Businesses includes corporate (12%) and non-corporate (6%)
- (b) Other includes academic or university (1.5%) with the balance made up of foreign persons, organisations or governments and submissions that could not be classified.

**Chart C2: Submissions from organisations**  
Main sector of organisation<sup>(b)</sup>



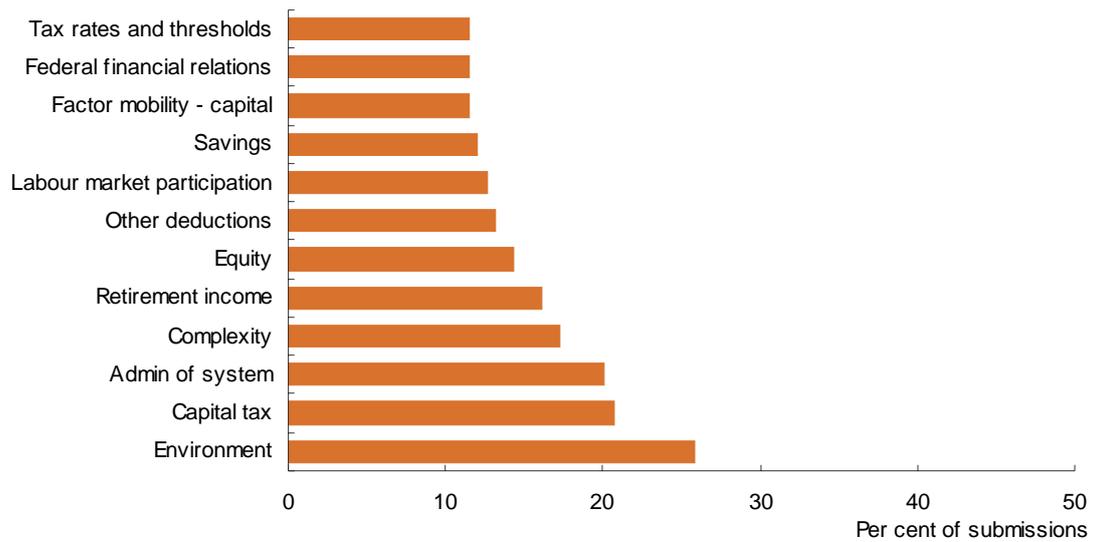
- (a) Some organisations self-identified as belonging to more than one sector.

**Chart C3: Frequency of policy issues raised in submissions from individuals**

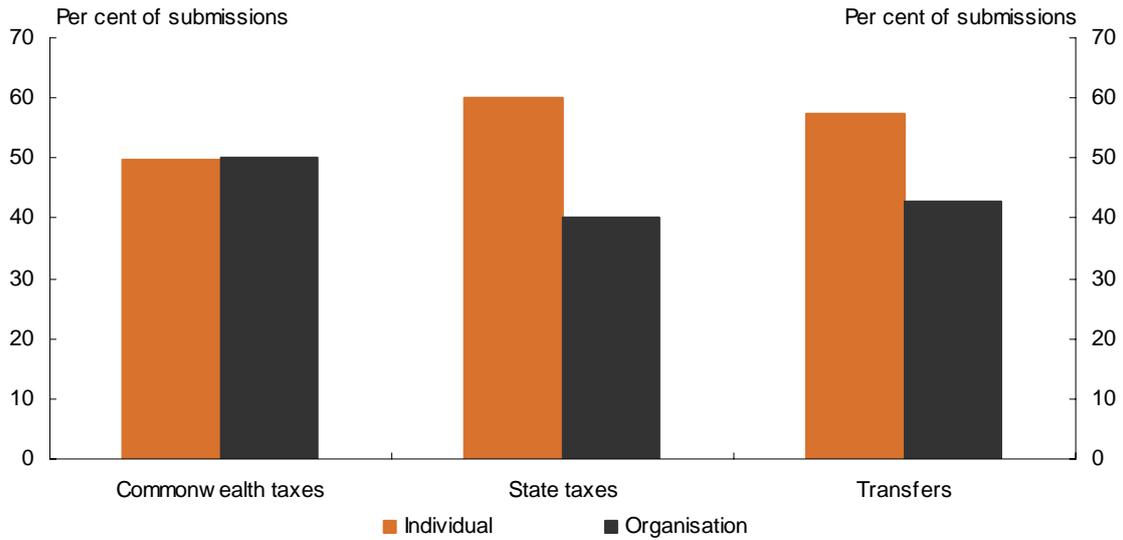


**Chart C4: Frequency of policy issues raised in submissions from organisations**

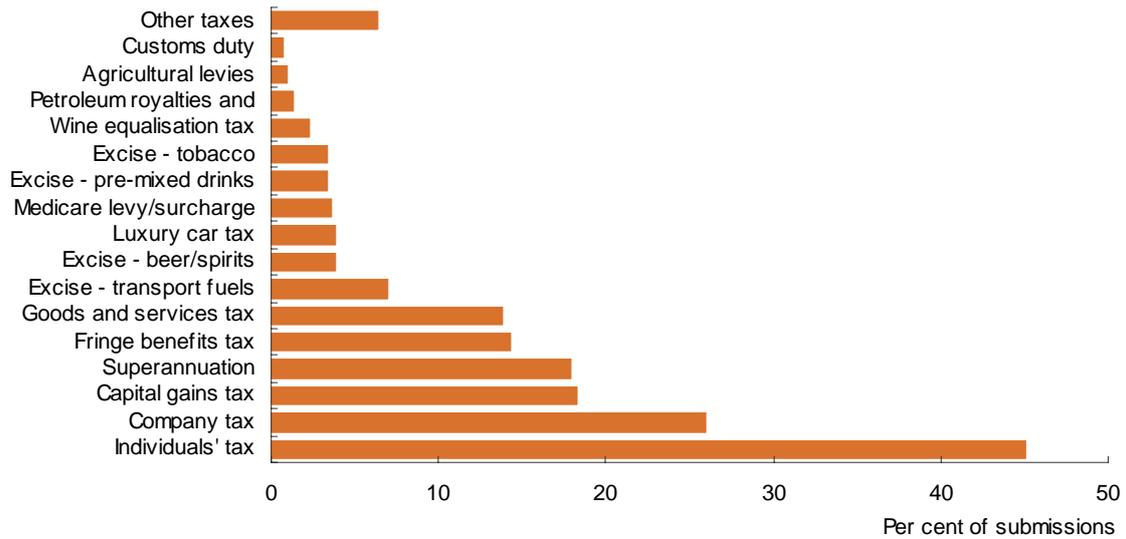
Submissions from organisations



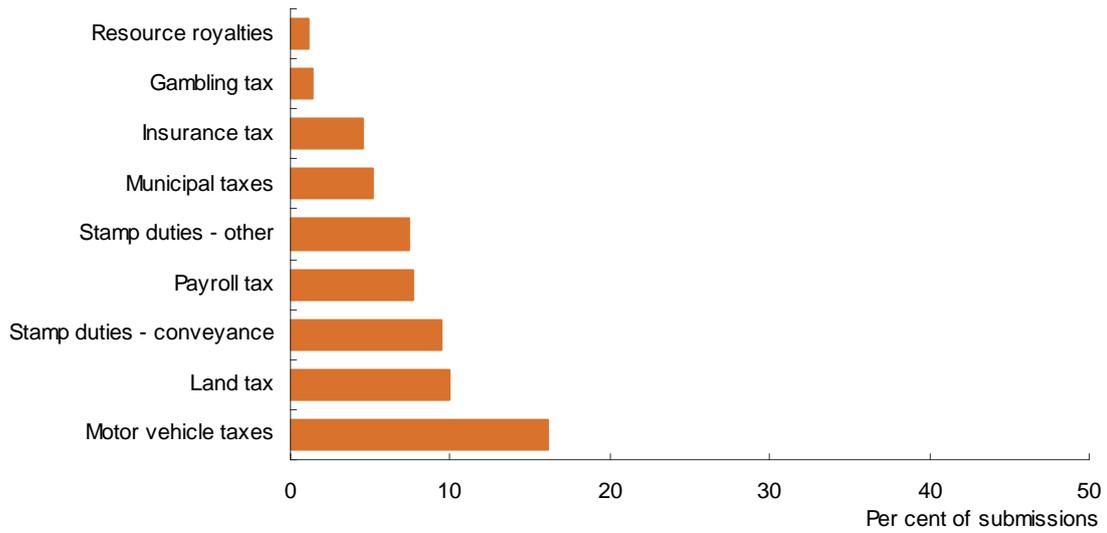
**Chart C5: Issues raised in submissions**  
 Australian Government taxes, state government taxes and transfers



**Chart C6: Issues raised in submissions — Australian Government taxes**



**Chart C7: Issues raised in submissions — state government taxes**



**Chart C8: Issues raised in submissions — transfers**

