AUSTRALIAN HOTELS ASSOCATION (NSW)

SUBMISSION TO AUSTRALIA'S FUTURE TAX SYSTEM REVIEW

INTRODUCTION

The Australian Hotels Association (NSW) represents the interests of hotels throughout New South Wales. AHA members include small country pubs, urban hotels, four and five-star accommodation hotels and resorts.

NSW Hotels make a significant contribution to the Australian economy and Australian society. The 2009 PricewaterhouseCoopers report into the industry found:

- NSW Hotels employ 55,000 people;
- each NSW hotel employs an average of 28 staff;
- NSW hotels give $25 million to the community each year and support an estimated:
    - 6,900 sporting teams
    - 6,000 community groups
    - 2,000 health & social service organisations
    - 1,700 emergency service, religious and other local organisations;
- NSW hotels spend $20 million each year training their staff;
- the average NSW hotel spends $142,000 on security per annum; and
- the average NSW hotel serves 1,046 meals each week.

Systemic reviews of Australia's taxation arrangements have occurred in Australia, on average, once every 10 to 15 years over the last 40 years. These opportunities – occurring only intermittently - should be comprehensive, encourage vigorous community debate and not be bound by transient policy or political positions that reflect particular historical events.

The AHA recognises that because of a long and contentious debate on the merits of introducing a broad based value added tax in Australia, the GST has been excluded from the scope of the Review. However, the AHA believes that the task that has been set for the Review is so important and its recommendations so fundamental to the future wellbeing of all Australians, that the Review should have all possible tax policy instruments open to examination. This is necessary to ensure that:

- the Review is not hampered in designing the best possible future tax system to achieve the objectives that have been set for it; and

- any future tax system design contemplated by the Review does not create new distortions by other - less efficient - elements of the tax system having to carry a disproportionate weight to achieve the Review's objectives.

This is particularly important for members of the AHA, who are subject to a range of narrowly based state and territory taxes, often with very high costs of compliance.

- The AHA is concerned that without consideration of the GST in the Review, many of these taxes may remain, or worse still, state governments may have to rely on more such taxes in the future to meet growing revenue needs.

- Such taxes impose high costs on small business, create disincentives for employment and as several recent studies have shown (Australian Government 2007, IPART 2008 and Centre for International Economics 2009) raise significant amounts of revenue for state and territory governments, despite other more efficient tax bases being available.

The AHA considers the Review should examine:

- the role of the GST in Australia's future tax system; and

- the potential for revenue accruing from an increase in the GST rate to be used to reduce or replace other taxes, particularly at a state and territory level, that act as a barrier to employment, either directly, or through high compliance costs imposed on businesses.

The purpose of this submission is to address these questions, which have been excluded from the Review terms of reference. This submission will outline:

- the case for an increase in the GST rate (Section 1);

- suggestions for the use of revenue generated from an increase in the GST rate (Section 2);

- budget impacts of GST reform proposals (Section 3);

- other tax issues impacting on the Australian hotels industry (Section 4); and

- recommendations (Section5).

In discussing state taxes, this submission concentrates on taxes in New South Wales. However, the AHA recognises that any reform of state taxes will need to encompass consideration of taxes in other states and territories.

All references in this submission to the AHA refer to the Australian Hotels Association (NSW).

1. THE CASE FOR AN INCREASE IN THE GST RATE

The introduction of the GST in Australia in 2000 came after a debate spanning almost 30 years on the mix of direct and indirect tax in Australia.

Over that period, much time, effort and financial resources were invested by government and the private sector in debating, analysing and modelling the implications of a broad based consumption tax in Australia.

Once introduced in 2000, Australian businesses, including AHA members, bore the substantial transitional costs associated with the introduction of the tax. Members of the AHA, like all other Australian businesses registered for the GST, continue to carry the burden of collecting the GST on behalf of the government, through costs of compliance, record keeping and reporting.

Given the substantial investment made by government, business and the community in bedding down the implementation of the GST, the AHA considers that the return from this investment cannot be fully realised if the future role of the GST is not examined as part of a wide ranging tax review. As noted in the introduction to this submission, such reviews only occur in Australia every 10 to 15 years. The AHA believes that waiting another 10 or 15 years – by which time it could be up to 25 years after the introduction of the GST – will be a missed opportunity to assess what role the GST can usefully play in a tax system designed to meet the challenges outlined in the Review Consultation Paper.

The AHA supports an increase in the GST rate, rather than a broadening of the GST base, to fund further tax reform. This is because an increase in the rate is likely have less impact on compliance costs for business.

An increase in the GST rate would maintain the current costs of compliance of the GST, with no additional compliance costs for business. While a broadening of the GST base has the potential to remove some of the boundary and definitional issues that impose compliance costs at present, there is also the potential for new, more contentious boundaries being drawn in any proposals to extend the GST base. For this reason the AHA does not support broadening the GST base to fund other tax reform.

This section outlines the reasons in support of an adjustment to the GST rate to fund the rationalisation or removal, over time, of state and territory taxes. These reasons are:

(i) the relative efficiency of broad based value added taxes;

(ii) the size and significance of the GST to Australia's tax system;

(iii) the share of taxes on consumption in Australia compared to other OECD countries;

(iv) the role of the GST as a growth tax to fund state services; and

(v) macroeconomic considerations.

(i) The efficiency of the GST compared to other taxes

It is well documented that broad based consumption taxes are relatively more efficient - in respect of economic losses imposed on the economy – than narrowly based indirect taxes on consumption or transactions. As noted in the Review Consultation Paper (Australian Government 2008b, p68):

> *The breadth of the GST makes it a relatively efficient tax, with limited distortions to consumption choices.*

A consumption tax applied across a broad range of both goods and services at a single rate is less likely to cause a change in consumption decisions and therefore impose relatively lower efficiency losses on the economy. The Review Consultation Paper indicates that Australia's GST applies to around three quarters of household consumption, indicating it is broad in coverage (Australian Government 2008b, p68).

While other characteristics of tax design, such as equity and simplicity, are also factors in making decisions as to appropriate tax bases, there is general agreement as to the relative efficiency of broad based indirect taxes as a general revenue raising instrument for government.

Given these desirable features of a broad based indirect tax, the AHA believes the GST should be included in the Review's deliberations to examine:

- the potential to reduce reliance on relatively less efficient taxes; and

- the scope to rationalise the number of broad based revenue raising taxes in Australia, to reduce compliance costs on business.

(ii) The significance of the GST in Australia's tax system

In 2000, Australia made a significant investment in the introduction of a broad based value added tax.

The significance of the investment has many aspects.

The first was recognition by Australia that it could no longer afford to ignore the adoption of value added taxes by almost all OECD countries over the previous 30 years as a signal of international best practice in tax policy design. As the OECD stated in its February 2006 *International VAT/GST Guidelines*: (OECD 2006):

> *The spread of Value Added Tax (also called Goods and Services Tax – GST) has been the most important development in taxation over the last half-century. Limited to less than ten countries in the late 1960s it has now been implemented by about 136 countries; and in these countries (including OECD member countries) it typically accounts for one-fifth of total tax revenue. The recognised capacity of VAT to raise revenue in a neutral and transparent manner drew all OECD member countries (except the United States) to adopt this broad based consumption tax. Its neutrality of principle towards international trade also made it the preferred alternative to customs duties in the context of trade liberalisation.*

By introducing a GST, Australia had decided that the costs of implementation were justified due to the well document and accepted benefits of such a tax. Importantly, the size of the investment and the significance of the GST to the economy and government revenues would mean it was an investment not for the present, but for the future.

Having made the investment and incurred the cost, because of the enduring and important economic benefits of the GST, the AHA considers it imperative that the GST be considered as part of the Review's deliberations.

The second aspect of the GST's significance is the role it now plays in the Australian taxation system. As the Review's Consultation Paper shows in Chart 3.1 (Australian Government, 2008b), the GST is:

- the third largest revenue source in Australia after personal income tax and company tax; and

- the single largest revenue source from consumption.

Excluding such a fundamental component of Australia's tax system from consideration of a wide-ranging tax review raises concerns as to what extra burdens will be put on less economically efficient revenue sources to meet the challenges outlined in the Review Consultation Paper. If, as the OECD has stated, the introduction of value added taxes was,'…*the most important development in taxation over the last half-century…'* and this source of revenue remains as one of the top three sources of government revenue, then any comprehensive tax review must ensure that its role is fully assessed as part of Australia's future tax system.

Given the size and significance of the GST to Australia's tax system, and its relatively efficient characteristics, the AHA considers it is vital that its role in future tax reforms be considered by the Review. Examination of this role should include how Australia's third largest tax base can be utilised to reduce reliance on taxes that impose high compliance costs for business or a less economically efficient.

(iii) Australia's reliance on indirect taxes

In the lead up to the introduction of the GST, it was sometimes stated that not only was Australia missing out on the benefits of a value added tax, but that Australia's reliance on indirect tax as a source of revenue was less than in other OECD countries.

OECD data shows that in 1995 taxes on general consumption as a share of GDP in Australia was less than half that of the OECD average (2.5 per cent of GDP for Australia) compared to an OECD average of 6.1 per cent, (OECD 2008). By 2004, while this ratio had increased, Australia's reliance on general consumption taxes was still around 60 per cent of that for the OECD as a whole (4 per cent for Australia compared to 6.8 per cent average for the OECD).

The OECD statistics suggest that while Australia has adopted a broad value added tax, it is yet to capture the full benefits of that base compared to other OECD countries.

That is, the potential exists to examine what other taxes could be replaced through revenue from an increase in the GST rate, such that the composition of Australia's overall revenue mix is also broadly consistent with other OECD countries.

(iv) The role of the GST in funding state and territory governments

One of the most commonly put arguments for the introduction of a broad based consumption tax related to its relative efficiency as a tax base and source of government revenue. Along side arguments of its economic efficiency, another argument was that a broad based indirect tax that closely followed growth in household consumption would also provide a growing and stable source of government revenue. Compared to the previous wholesale sales tax, for example, the GST has provided a more sustainable, growing tax base, by taxing not only a broader range of goods but also services.

The link between the introduction of a broad based indirect tax and a stable growing revenue source was an argument in favour of a value added tax *prior* to the decision to allocate all of the GST revenue to the states.

The decision to guarantee state and territory governments all of the GST revenue was a confirmation of the role that a broad based indirect tax could play in providing a secure, growth tax for governments. For almost 60 years after state governments ceded their income tax powers to the Commonwealth, state and territory governments struggled to find an acceptable broad based growth tax to fund public services. With the introduction of the GST and the associated changes to Commonwealth-State financial relations, this dilemma had begun to be addressed.

The importance of the GST as a growth tax and the particular circumstances whereby the GST is specifically allocated to state and territory governments, means that any assessment of the future role of the GST must take into account the needs of state governments to fund basic public services.

This is also directly relevant to the Review's terms of reference.

While it is role of the Review to determine how the *tax-transfer* system can assist in meeting Australia's future demographic, social, economic and environmental challenges, the cost of meeting many of these challenges will fall to state and territory governments. As revenue from GST (through Australian Government transfers) now represent one quarter of state and territory revenues, the capacity of state and territory governments to respond to these challenges will depend in large part on the role of the GST in the future.

The AHA considers this another reason why the GST should be a part of the Review recommendations.

If the GST can contribute to addressing the challenges identified by the Review directly – as a relatively efficient tax – and also indirectly through its capacity to fund state and territory budgets, then the GST must be a part of the Review's deliberations.

(iv) Macroeconomic considerations

The sections above outline why the features of a GST justify its inclusion in the Review's consideration of Australia's future tax system.

As well as these general tax design points, the macroeconomic conditions that Australia will face over the next two to three years are conducive to an increase in the GST rate:

- the rate of inflation will be subdued due to the slowdown in the Australian economy and subsequently higher unemployment rate; the risk of profiteering and an inflationary spiral that were present at the time of the introduction of the GST will not be apparent in the next few years;

- the tightening of credit markets and repair of household balance sheets in Australia would be assisted by an increase in general consumption taxes, that provide an incentive to save rather than spend.

For all these reasons, the AHA considers the time is now right to examine an increase in the GST rate in Australia.

2. GST TAX REFORM

This section outlines how revenue from an increase in the GST rate could be applied to achieve reform of New South Wales taxes and over time reform of all state and territory taxes.

Phasing out of state taxes

As well as providing a broad based indirect tax base, the introduction of the GST also allowed for the phasing out of a number of narrowly based state and territory taxes. These reforms are still in progress. Recently there has been renewed examination of the remaining revenue sources available to state and territory governments, in comparison to taxes levied in other countries and their relative efficiency compared to other revenue sources. Three such reviews looking at these issues include:

- *International Comparisons of Australia's Taxes* (Hendy/Warburton Review), 2006;

- New South Wales Independent Pricing and Regulatory Tribunal (IPART) *Review of State Taxation*, 2008; and

- the submission to this Review by the Centre for International Economics (CIE), prepared for the Business Coalition for Tax Reform.

While the Hendy/Warburton Review and the CIE review examine all state taxes, the IPART report is specific to New South Wales. Nonetheless, the conclusions are broadly the same. Some of the main points of these reports are that:

- Australia has a relatively high reliance on property and transaction taxes (primarily levied by state and territory governments), compared to other OECD countries (Hendy/Warbuton, p277);

- while state and territory governments do have available to them two tax bases which in theory should be efficient, their application in practice is far from efficient due to numerous exemptions and concessions (IPART, p45); and

- many state and territory taxes have high compliance costs, are distortionary and inefficient and harmful to Australia's competitiveness (CIE, 2009, p8).

Following from these reports, the AHA supports an increase in the GST rate to simplify and phase out the following state taxes in New South Wales:

- payroll tax;

- land tax;

- purchaser transfer duty.

(i) Purchaser transfer duty

Of these three taxes, purchaser transfer duty is regarded as inefficient and costly to the economy and does not provide a stable, reliable source of revenue for government (IPART 2008, p7, CIE, p42, Australian Government 2008b, p192). Each of these reports rank purchaser transfer duty as among the most inefficient of all the tax bases available to state and territory governments. For these reasons, the NSW Government Independent Pricing and Regulatory Tribunal has recommend, "substantial reductions in purchaser transfer duty" in NSW funded through reforms to other taxes (IPART 2008, p10).

Phasing out and eventually eliminating purchase transfer duty will be a significant task. In New South Wales, this tax raised almost $4 billion in 2008-09, representing 20.5 per cent of the State's own source revenue (IPART 2008, p19). Across all states and territories, purchaser transfer duty raised around $14 billion in 2007-08 (ABS 2008). As noted earlier in this submission, the scope for state and territory governments to replace this revenue with a broad based efficient revenue source is limited by:

- state and territory governments having only two relatively broad tax bases;

- the efficiency of these tax bases being compromised by poor design; and

- the practical difficulties in increasing the revenue effort from these tax bases (see below).

The AHA considers the only practical option for the phasing out of this tax and its replacement with a more efficient revenue source is through the GST.

(ii) Payroll and land tax

Payroll tax and land tax are relatively efficient tax bases in principle. However these efficiency characteristics have been diminished in practice due to exemptions that have significantly narrowed the potential tax base (Freebairn 2008, IPART 2008). While payroll and land taxes may have characteristics of an efficient tax, the AHA has doubts that any meaningful reform of such taxes can be achieved by the NSW Government acting alone. This is because of a number of important practical difficulties raised in the various reports outlined above:

- since payroll tax and land tax are the only broadly based revenue sources for state and territory governments, any loss of revenue from reform of these taxes will most likely have to be raised from less efficient taxes;

- competition between state and territory governments mean that only a national approach to reform will result in meaningful reform in a timely fashion; and

- the imposition of taxes on employment and land are highly sensitive issues in the community, meaning that reform of these taxes to improve their efficiency will be problematic.

These concerns are not specific only to Australia. As the OECD has recently noted, while greater reliance on land tax as a revenue source is desirable (Johansson et al 2008, p45):

> '*Nonetheless there are two practical drawbacks to a significant shift towards greater taxation of immovable property. First, these taxes are very unpopular in many countries, at least in part because of their visibility.*
>
> *The second practical drawback is that, in most OECD countries, property tax revenues belong to local governments and so a shift towards property taxes would require some changes to the revenue sharing arrangements.*'

The AHA believes that because of the significant revenue collected by NSW from narrow *inefficient* tax bases and the practical difficulties in replacing revenue raised from these taxes through reform of *efficient* tax bases, the only way that state tax reform will be achievable is through the use of an efficient national tax base – the GST.

The replacement of payroll tax with increased GST revenue would also result in a reduction in compliance costs for business. The current compliance costs for payroll tax would be removed, while there would be no additional increase in compliance costs from an increase in the GST rate.

As a transition to the phasing out and eventual abolition of payroll tax, the AHA supports the submission to the Review from the Business Coalition for Tax Reform, that recommends the centralisation of payroll tax administration in the Australian Taxation Office (BCTR 2008, p10). The AHA also welcomes discussion of this suggestion in the Review Consultation Paper (Australian Government 2008b, p198). As well as providing some immediate compliance cost relief for national employers having to deal with only one point of administration, centralised administration would also assist in having a coordinated approach to the phasing out and eventual abolition of payroll tax.

(iii) Minor state taxes, levies and charges

The NSW Government also collects a myriad of small taxies, levies and charges for such as the Fire services levy, motor vehicle duties and charges and environmental levies. The rationale for these taxes and charges is unclear in many cases. While some may appear to have an environment or regulatory purpose, such as motor vehicle charges, the predominant purpose of many of these imposts is general cost recovery or revenue raising.

The efficiency of the NSW state tax system could be considerably improved and the compliance costs on business reduced if the purpose of these taxes was clearly identified and the number of taxes rationalised to achieve specific policy purposes. The range of taxes currently imposed for revenue raising purposes could then be rationalised into a single broadly based tax, resulting in a much less complex tax system and one that is far less costly for business compliance.

Providing a stimulus through Australian Government taxes

An increase in the GST rate is likely to have a dampening affect on consumption expenditure, if only temporarily, as other taxes are phased out.

To support consumption expenditure during the period that taxes are phased out and to ensure the tax reform load is spread between the Australian and State and Territory Governments, the AHA considers that the Australian government could consider the following tax changes:

- a cessation of indexation on alcoholic beverages for a 12 month period;
- simplification of the entertainment rules under the Fringe Benefit Tax;
- simplification of the capital gains tax rollover provisions for small business; and

- no increase in the compulsory employee contributions under Superannuation Guarantee, with offsetting changes to penalty rates for holiday pay loadings or overtime.

Implications for vertical fiscal imbalance

The Review Consultation paper asked for comments on the structure of Australia's federal financial arrangements and the assignment of revenue raising powers and intergovernmental transfers in Australia.

The AHA's GST reform proposals outlined above will accentuate the dominance of Australian government revenue collection. The AHA considers this to be an unavoidable and necessary consequence of meaningful reform of state and territory taxes. It is the AHA's view that the only achievable path to reforming state and territory taxes is through the GST, reflecting the many entrenched legal and practical constraints to the states acting alone. These constraints are:

- the constitutional prohibition on state and territory taxation of goods and services;

- the poor design of the state and territory's current broad based taxes (payroll tax and land tax); and

- the practical difficulties in state and territory governments reforming their current payroll taxes and land taxes, reflecting both community opposition and interstate tax competition.

These constitutional and practical difficulties have entrenched the role of the Australian government as the dominant taxing power in Australia and there is little prospect of this changing without a fundamental shift in community and political attitudes driving constitutional change. In the absence of this, Australian governments must look to achievable reform of state and territory taxes within these constraints, which means accepting that a high degree of vertical fiscal imbalance will be a permanent feature of Australia's intergovernmental financial arrangements for the foreseeable future. This reality should not be a barrier to tax reform, particularly reform of state and territory taxes.

3. FISCAL IMPLICATIONS

The AHA recognises that any substantial tax reform will need to be undertaken over time and in a way that is consistent with sustainable fiscal policies at all levels of government.

The AHA therefore recommends that GST tax reform be implemented according to the following principles:

- certain state and territory taxes (as outlined in the previous section) be phased out and eventually abolished, only as increased revenue from the GST allows; and

- a priority be placed on the abolition of taxes in New South Wales, with equivalent taxes abolished in other states as GST revenue permits.

Tables 1 and 2 below shows an estimate of the additional GST revenue that could be raised from an increase in the GST rate to either 12.5 per cent or 15 per cent. The tables also show how much revenue was raised from three of the largest state and territory taxes – payroll tax, land tax and purchaser transfer duty.

All the figures are the table are based on 2007-08 data, the last year for which final year information is available. While it is expected that revenue from all these sources will have declined since 2007-08 - and at a faster rate for land tax and purchaser transfer duty - the figures for 2007-08 still provide an accurate guide as to the relative size of the various taxes and how they would need to be phased for abolition. In this period of global economic instability, when governments forecasts of the global and domestic economy are being revised on a continual basis, the AHA has not provided forecasts for these revenue sources.

The tables show that payroll tax, land tax and purchaser transfer duty in New South Wales raised around $12 billion in 2007-08, compared to around $11 billion that could be raised from an increase in the GST rate to 12.5 per cent. Abolition of all these three taxes across all states and territories would cost around $35 billion, compared to additional GST revenue of $22 billion from an increase in the GST rate to 15 per cent.

The tables show that the state and territory taxes would need to be phased out, according to the level of GST revenue raised, before being entirely abolished. The AHA would support such as an approach.

One such approach could be to have a two-stage tax reform:

- the first stage being an increase in the GST rate to 12.5 per cent, with a focus on reform of New South Wales taxes, particularly the alignment of payroll tax thresholds and rates with other states and territories; and

- a second stage being an increase in the GST rate to 15 per cent, with phased reduction in taxes as GST revenues allow.

Over time, as revenue from the GST increases, the state and territory taxes outlined in the table could be reduced with the eventual aim of having the taxes completely phased out.

In comparison to the major reform to state and territory taxes, the recommendations relating to Australian government taxes would be relatively minor and in the case of indexation of alcoholic beverages, temporary. As these measures are intended to be stimulatory in nature, the AHA does not support these measures being funded through GST revenue.

Table 1: Estimated revenue from increase in GST rate

Goods and Services Tax 2007-08 ($b) (a)	44.4
Estimated revenue from GST at 12.5%, 2007-08	55.5
Estimated revenue from GST at 15%, 2007-08	66.6

(a) Source: Taxation Revenue Australia 2007-08, Australian Bureau of Statistics, Cat No. 5506.0

Table 2: State and Territory taxes and possible incresaed GST Revenue - 2007-08

	New South Wales $b	All States and Territories $b
Estimated additional revenue from increase in GST to 12.5%		11.1
Estimated additional revenue from increase in GST to 15%		22.2
State and Territory taxes (a)		
Payroll tax	6.2	16.0
Land tax	1.9	4.3
Purchase transfer duty	3.9	14.4
Total	12.1	34.8

(a) Source: Taxation Revenue Australia 2007-08, Australian Bureau of Statistics, Cat No. 5506.0

4. OTHER ISSUES

The previous section outlines the AHA's position on comprehensive tax reform package to improve the efficiency of the national tax system, reduce costs for business and provide a secure revenue stream for state and territory governments.

The phasing out of state taxes combined with an increase in GST revenues will have implications for the distribution of GST revenues calculated each year by the Commonwealth Grants Commission (CGC). As noted by the NSW Independent Pricing and Regulatory Tribunal, the interrelationships between these issues are complex and require careful analysis before state tax reforms are implemented (IPART 2008, p8).

As these implications could be significant, the AHA considers that any such reform of state taxes should be combined with a review of the CGC methodology used to calculate annual relativities used to distribute GST revenue. For a number of years the New South Wales Government has made representations to the Commonwealth that it has not received a fair share of GST revenue on the basis of the current methodology,

The AHA also remains concerned at the inconsistent taxation treatment between mutual and non-mutual organisations. Whilst non-mutual entities are subject to income tax on their income, organisations established under the common law principle of mutuality are not subject to income tax on their mutual income.

The AHA supports community organisations operating under the principle of mutuality for the benefit of their members. However, the AHA remains concerned at the potential for some mutual organisations to undertake commercial activities – in competition with non-mutual entities – for the benefit of non-members. The AHA considers this should also be subject to examination by the Review.

5. RECOMMENDATIONS

State taxes

1. An increase in the GST be considered as part of Australia's Future Tax System Review.

2. The revenue from an increase in the GST be applied first to the phasing out of the following taxes in New South Wales: payroll tax, land tax and purchase transfer duty, with consideration given to the phasing out of the same or similar taxes in other states, depending on the tax system in each state.

3. That the range of numerous small state government fees and levies in NSW, such as motor vehicle charges, the Fire Services Levy and environmental levies be reviewed to determine whether they have a regulatory or policy rationale, or whether they are general revenue raising charges. Taxes, charges and levies in the nature of general revenue raising charges should be replaced with a single revenue raising charge.

4. That any reform to state taxes be accompanied by a review of the principle of horizontal fiscal equalisation underlying the calculation of the Commonwealth Grants Commission annual relativities on which GST revenue is distributed among state and territory governments.

Federal taxes

5. Suspension of half yearly indexation of excise rates applying to alcoholic beverages for a period of 12 months.

6. Reform of the Fringe Benefits Tax entertainment provisions.

7. No increase in the compulsory superannuation guarantee contribution above 9 % If the contribution is to be increased above 9%, this only be implemented in conjunction with removal of holiday pay loading or overtime loadings on businesses that open 7 days per week.

8. In view of the potential for mutual organisations to undertake commercial activities for the benefit of non-members, a Review of the principle of mutuality be undertaken to ensure competitive neutrality in the application of tax law as between mutual organisations and non-mutual entities.

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