

**Business
Coalition for
Tax
Reform**

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The Hon Julia Gillard
Prime Minister
Parliament House
Canberra ACT 2600

Dear Prime Minister

Tax and Transfer System Reform

I am writing to you in my capacity as Chairman of the Business Coalition for Tax Reform (BCTR), an umbrella group of business organisations formed in 1996 to advance the case for tax reform aimed at improving Australia's economic growth. A copy of the BCTR's guiding principles is attached for your information.

The BCTR welcomes your government's announcement last week concerning improvements to the governance of Australia's taxation system, should the government be re-elected on 21 August. While the Australian Taxation Office is a highly capable organisation with many strengths, we believe it would benefit from high level strategic input from a governance board made up of experienced business people. The BCTR also agrees that the Board of Taxation has been highly effective, having provided sound advice on a number of specific tax law and policy issues since its inception. Broadening its remit to initiate reviews is likely to further build on its past success.

On the May 2010 Australia's Future Tax System report (AFTS), we are concerned that the government has thus far only responded to a limited number of recommendations in the report. We acknowledge that the report is not one for short term implementation, but rather is intended as a blueprint for medium to long term reform. The BCTR also recognises that Australia's post GFC budget position will inevitably constrain any government in embarking on a program of tax and welfare reform.

While we recognise there is merit in allowing the community time to digest and debate the report's far reaching and comprehensive recommendations, the welfare and productivity gains potentially available from implementing some of the recommendations are too important to be left to an ad hoc community process. As an important first step, we would like to see the government leading the way by setting out a pathway for consulting on the various recommendations in the report. Once that process is completed, which we envisage would be some time in the coming term of government, the second stage should be to prioritise the various options identified and to design a program for implementation.

The BCTR considers it is of critical importance that the momentum for tax and welfare reform be maintained, and we would contribute in a constructive way to any associated consultation process.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John V Stanhope', written in a cursive style.

John V Stanhope
CHAIRMAN
BUSINESS COALITION FOR TAX REFORM

The BCTR's 10 Principles of Tax Reform:

1. The tax system should be simple, transparent and should minimise uncertainty.
2. The design, administration and operation of the tax system should be undertaken with full and effective consultation with relevant stakeholders including the business community.
3. The tax system should fairly balance the need to protect the taxation revenue base with the principles of a good tax system, i.e. efficiency, fairness (horizontal and vertical equity), simplicity, clarity, certainty and low compliance costs.
4. The tax system should enhance competitiveness by providing a climate conducive to improved investment in Australia and from Australia for Australian-based entities and individuals.
5. Indirect taxation at the state and territory level should be more efficient and competitive.
6. The pattern of Federal/State financial relations should be transparent, efficient and sustainable.
7. The tax treatment for savings should be consistent with an overall savings policy that encourages the sustainability of strong, ongoing growth.
8. The tax, and social security, treatment of personal income and fringe benefits should conform to the principles of fairness, efficiency and simplicity.
9. The tax system should avoid the double taxation of business income and provide relief for all business expenses.
10. The tax system should not impede organisational restructuring.