

**Business  
Coalition for  
Tax  
Reform**

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Dr Ken Henry AC,  
Chair (Secretary to the Treasury)  
AFTS Secretariat  
The Treasury  
Langton Crescent  
PARKES ACT 2600

By email: [AFTSubmissions@treasury.gov.au](mailto:AFTSubmissions@treasury.gov.au)

Dear Doctor Henry

**Federal Review into Australia's Future Tax System (the tax system inquiry)**

As I indicated when the BCTR met with Panel members late last year, the BCTR has commissioned a discussion paper into the scope for reforming State taxes by the Centre for International Economics. This work has now been completed, and I take pleasure in providing you with a copy of the paper for consideration by the Review.

The Business Coalition for Tax Reform (BCTR) is an alliance of leading industry associations drawn from all sectors of the economy that support comprehensive tax reform to enhance investment, growth as well as international and domestic competitiveness.

The report should be read in conjunction with our submission on 17 October 2008 regarding the tax system design principles. We also propose to provide further comments in response to the questions framed in the Review's Consultation Paper in December 2008.

Australian business is weighed down by an **inefficient and overly complex tax system**.

Australia needs a more productive economy to weather the global financial crisis. Enhancing our productivity requires an efficient tax system.

State governments are **critically over-reliant on inefficient business taxes** which jeopardise business growth and hold back the economy.

**Inefficient state business taxes** such as stamp duties and property taxes are:

- volatile and unpredictable revenue sources;
- difficult and costly to manage;
- deadweight taxes that impede business efficiency and drag on the economy;

- unequally and unfairly applied;
- harmful to business competitiveness.

**Replacing inefficient business taxes with better revenue sources** is a crucial step toward improving the economic health of the nation.

BCTR research shows:

- business and the community are **substantially better off with more efficient taxes;**
- reform is achievable now** without changing the overall tax burden.

**Successful reform needs:**

- clear and achievable **aims and outcomes;**
- **fixed timelines** to achieve outcomes;
- a **significant package of tax reforms for real change;**
- **Federal-State co-operation** to establish efficient revenue sources.

Australian Governments should commit to a **new round of real business tax reforms** that is **underpinned by a new inter-governmental agreement.**

The BCTR has developed **three reform packages** that provide the **greatest ongoing economic gain:**

- Package 1: Improving growth** by reducing conveyancing duty & removing insurance duties;  
(**0.6% higher GDP** in the long term and \$10 billion Federal funding).
- Package 2: Enhancing Competitiveness** by removing commercial conveyancing duty, land tax and reducing payroll tax;  
(**0.4% higher GDP** in the long term and \$10 billion Federal funding).
- Package 3: Maximising State tax reform** by removing conveyancing and insurance duties and reducing land tax.  
(**1.7% higher GDP** in the long term and \$17.2 billion State & Federal funding).

Each of these packages could be **funded wholly or in part by a Federal and/or state broad based tax** and is **money well spent** because:

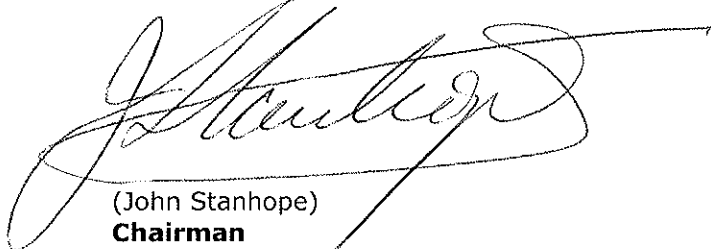
- the packages **deliver a large economic dividend per dollar** of reform;
- the packages **produce larger economic benefits** than **replacing lower cost Australia-wide taxes;**
- the **overall tax burden remains the same.**

Our report comprehensively reviews the **state business tax reform options** and analyses the costs and benefits **for a new round of business tax reform.**

We welcome the opportunity to meet with you to discuss our submission in more detail.

If you have any queries in respect of the above or the BCTR in general please contact me on (03) 8664 8066.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J Stanhope', with a long horizontal flourish extending to the right.

(John Stanhope)

**Chairman**  
**Business Coalition for Tax Reform**