

**Business
Coalition for
Tax
Reform**

Level 11, 455 Bourke Street
Melbourne Vic 3000
Telephone (03) 9600 4411
Facsimile: (03) 9600 4055

31 August 2007

The Hon Peter Costello MP
Treasurer
Parliament House
CANBERRA, ACT 2600

Dear Treasurer,

Personal Tax Reform

I am writing to you in my capacity as Chair of the Business Coalition for Tax Reform (BCTR) to reiterate the view that we expressed in February 2006 on the need for the Government to establish a thorough and dedicated review process, headed by a prominent Australian, to develop a clearly structured plan to reform Australia's personal tax system.

The BCTR is Australia's peak business tax group, comprising a range of industry and professional associations drawn from all sectors of the economy and representing small, medium and large businesses. BCTR members share the common objectives of creating and implementing a better tax system that enhances both international and domestic business competitiveness and fairness, and which assists in creating a business climate that is conducive to investment, growth, job creation and private saving.

While we acknowledge the income tax relief provided by the Government since the introduction of the GST in mid-2000, we remain of the view that more needs to be done to fully reform Australia's personal tax system.

You will recall that in a discussion paper titled *Personal Tax Reform* which was released in Canberra in February 2006, the BCTR canvassed three possible directions that reform of Australia's personal tax system might take and explored the degree of change that could be possible.

The three scenarios, referred to as 'modest', 'midway' and 'major' would each result in a reduction in overall personal income taxation accompanied by a generally flatter personal tax rate structure with fewer thresholds and lower marginal tax rates as compared with the current system. Each of the scenarios would promote competitiveness and simplicity, albeit to differing degrees.

As mentioned previously, there are any number of possible directions that tax reform could take, and the BCTR decided to outline just three in the discussion paper. I should emphasise, however, that the paper does not promote any one scenario as the automatic solution to Australia's need for personal tax reform, but illustrates three possible options that a Government-established review process would be best able to examine.

A review process would allow a thorough, reasoned and consultative debate regarding the personal income tax system. It would also address costs and distributional impacts of change, something the BCTR has been unable to do within its discussion paper's limited scope.

The proposed review could also draw on the work of the *Warburton-Hendy International Benchmarking Study* that you released in April 2006.

A copy of the BCTR Discussion Paper is attached together with a short note on its key messages for ease of reference.

We would be happy to meet with you at an appropriate time to discuss our proposed personal tax reform plan in more detail.

I am also attaching a copy of the BCTR's 2007/08 Pre-Budget submission with a request that further consideration be given to those items that appear to date to have been either neglected or overlooked.

Yours sincerely,

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

(John Stanhope)

**Chairman
Business Coalition for Tax Reform**

CC.

The Hon John Howard MP – Prime Minister