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Hockey fails to restart stalled tax reform process

CPA Australia says Treasurer Joe Hockey's headland tax speech is long on rhetoric and short on substance. Chief Executive Alex Malley says the Government seems content to confine itself to 'known knowns' rather than confront the real reform challenges.

"Our Federation-based tax system is too complex and outdated and in urgent need of a wholesale reset, yet our reform process is six months behind schedule and pre-election income tax cuts are now on the agenda," Mr Malley says.

"Certainly Australians pay too much in income tax – employees, contractors and family businesses attending to their end-of-year tax affairs know it only too well.

"As former Treasury head Martin Parkinson pointed out last year, the contributions made by personal and corporate income taxes and indirect taxes to Government revenues is the same today as it was in 1950-51.

"Even Mr Hockey's own discussion paper, released in March points out that Australia relies more on corporate and individuals income taxes than other developed countries.

"Repeating the contents of the March discussion paper is not breaking news and does nothing to advance the imperative for tax reform.

"There is no doubt that income tax cuts are good for encouraging participation and productivity and have popular appeal, but we need to see the full picture – including how such incentives for Australians to work, save and invest would be funded.

"Holding out the prospect of tax cuts leading up to an election should be viewed for what it is, but certainly not holistic tax reform.

"The Treasurer appears to be caught in a cycle of re-stating the problems rather than re-thinking the solutions. No substance and no strategy means no jobs.

"With an estimated 300,000 Australians moving into the second highest tax bracket in the next two years, bracket creep is an issue that needs to be considered, but in the overall context of the tax system, not in isolation.

"Much of the problem is not the bracket creep in itself, it is the interaction of the tax rate and the transfer system for social security.

"This is where a small increase in income can lead to a significant withdrawal of a family benefit – such that the worker may actually be worse off by working and earning an extra dollar.

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“Tax reform is about the ongoing sustainability and resilience of the entire economy. Reform needs to consider company as well as personal income tax. Just restating the facts will do nothing to change Australia’s uncompetitive 30 per cent company tax rate compared to 20 per cent in the UK and 17 per cent in Singapore.

“Calm and rational consideration of the role of the GST in overall tax reform should not be dismissed as a state issue.

“CPA Australia’s verifiable and detailed modelling, released earlier this year, clearly shows that additional GST revenue can be used to abolish a number of inefficient state taxes and also provide for personal income tax cuts and compensation for low income households, while also boosting economic growth.

“It is the packaging of changes to the GST with the removal of other taxes as part of holistic reform that is critical, and is so often missing when our political leaders step up to the lectern.

“The leadership required to establish a consistent reform narrative is absent – substituting tax cuts for reform is no way to make the case for Australia’s future,” Mr Malley said.

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