

TAX REFORM FORUM



NATIONAL CONGRESS
OF AUSTRALIA'S FIRST PEOPLES

10/7/2011

Congress Report

The report describes matters raised at the Tax Forum 4-5 October 2011 and consideration for future involvement in Tax Reforms.

Tax Reform Forum

PARLIAMENT HOUSE 4-5 OCTOBER 2011

OVERVIEW

The Government released the *Australia's Future Tax System Review* (tax review) last year and in the lead up to the Tax Forum invited statement and submissions which guided the discussions and priorities. The future reforms will focus on a fairer and simpler tax system with strong fiscal management; increasing labour force participation; increasing productivity; climate change; and long-term improvements in the standards of living.

Over 180 representatives from community, business, unions and governments participated in the Australian Government's Tax Reform Forum. The Prime Minister and Treasurer opening the forum highlighted importance for reforms from a GFC 'over hang', growth in the regional economy i.e. Asian, plus changes driven by an aging population and shaping Australia's future. Participants were professionally led, contributed to and witnessed a broad range of discussions for reforming the tax and transfer systems, as well as other federal politicians [notably federal Liberal politicians were not in attendance]; state and territory treasurers; industries; not-for-profits; as well as academics and other tax experts.

Forum proceedings

The proceedings for the engagement of all participants was facilitated through a circular plan rotating participants through to the front row seating on a series of sessions, the order sessions were:

1. Business Tax
2. State Taxes
3. Environmental and 'social' taxes
4. Transfer payments (session I participated at the front row)
5. Personal Tax
6. Tax System Governance

Issues for Congress

Relevant issues include social housing assistance, including state and Indigenous owned housing; and high marginal tax rates to create incentives for increasing workforce participation.

Congress notes the Alcohol Education and Rehabilitation Foundation position on Alcohol Tax, particularly volumetric tax on wine and the health impacts on First peoples. Plus, tax matters proposed some time ago in relation to Native Title from AIATSIS and the Minerals Council of Australia, for example; exemptions for compensation; a Native Title Withholding Tax [as proposed in 1998]; alternatives to charitable trusts; and exemptions for social security means testing.

Conclusion

It has been a valuable experience attending the tax forum. Being exposed to the issues for consideration and opportunities for improved knowledge and understanding of the tax system for our people was exceptional, I advocate over the course of this progressive tax reform for increased education and involvement of Congress members and delegates, and more broadly our communities, organisations and individuals.

Also, throughout the progress of the Tax Reform, explore greater opportunities to consult; research and inform to enable First Peoples' involvement.

Below is an attempt from notes to describe discussion points, potential matters of interest and/or importance including opportunities for further involvement in the tax reforms.

Rod Little

Director

SESSION 1 – BUSINESS

The session centred on many aspects with strong representations from the Australian Council of Social Services; businesses, unions, tax experts and academics.

Issues discussed included Personal Income Tax and the impacts in businesses and community sector and service organisations. The session also encouraged more to be done to ensure equity for beneficiaries of Trusts and small business owners, in particular costs associated with establishment and infrastructure plus an alleviation of processes and compliance relating to BAS, PAYG, Payroll insurance, property/asset insurances and stamp duty.

There was much discussion on lowering tax rates to a more broad tax base and preservation of living standards. Lengthy debate centred on corporate tax and investments of mining industry versus other industries and suggestions indicated stamp duty and insurances were lower. According to OECD, Australian corporate tax is lower internationally 2nd to Norway.

Participants urged an equal and progressive tax rate system and that businesses pay a fair share of the taxes to contribute to an equal society.¹ For long-term growth participants urged focus on productivity growth and employment growth. A Sovereign Wealth fund was suggested to support a solid foundation against unforeseeable or otherwise financial crisis. This would require nation-wide compliance.

Small businesses sought equity in relation to Capital Gains tax. Services and manufacturing industries felt they were unfairly impacted on by the mining industry, e.g. mining industries buying off-shore services and manufactured goods.

The community sector strongly tabled superannuation and affordable housing as significant impacts on the disadvantaged, low-income earners and people living in poverty from inequities.

It was proposed that Division 7 (a) of the Tax Act relating to taxation on Trusts [and compliance].

SESSION 2 – STATE TAXES

Essentially there was consensus across the floor for 'harmonization' of tax base at state and territory levels and further reforms to the zone tax rebates. Whilst this sounded good, it seemed that no jurisdiction was prepared to increase their contributions or adjust their tax systems as urged in the previous session. These suggestions included consideration of removals of stamp duty or adjustments to company taxes and property and land taxes as they impacted on families seeking to participate in the workforce, acquire affordable housing especially in high cost of living areas.

The Central Equity Ltd delegate linked the above discussion and housing equity as a dire 'social matter', particularly in relation to new housing. References tabled in this session included a KPMG report and the tax systems of Canada and Germany.

Like mainstream small business owners and operators, is urged that Aboriginal and Torres Strait community organisations, individuals and businesses are urgently informed of the tax reforms and gain improved understanding of the tax matters that impact on them. Alcohol and tobacco reforms were continually urged for improvements to the standard of living for all Australians by the health and community sectors.

¹ ACTU Working Australia Tax Paper 1 – Myths & Realities

SESSION 3 – ENVIRONMENTAL AND ‘SOCIAL’ TAXES

Alcohol tax was again significant discussion, as was affordable and sustainable housing for the next 50-100 years.

Environmental delegate proposed tax breaks for the protection of lands, waters and wildlife likely to create opportunities for Indigenous land owners, farmers and pastoralists. Tax concessions for Aboriginal and Torres Strait Islander peoples may create or enable opportunities in economic development through business opportunities, workforce participation, home ownership, improved living standards, improvements in health and well being and sustainable families.

Cost benefits analysis – infrastructure and recovery schemes potentially beneficial for Aboriginal and Torres Strait Islander and mainstream organisations providing products and service to community. Samples sighted included AusBiotech and/or local government road maintenance/ownership [first people] where roads are impacted by transport industry. [Ausbiotech 2011 Adelaide 16-19 October]

Suggest a review the Twenty-Twenty Summit for appropriate information to insert into the Congress tax forum statement.

Participants in this session also advocated strongly for tax reforms to influence behavioural changes, e.g. disincentives for participation in the workforce and economy and roting. This would require further exploration to promote positivity in workforce participation [e.g. tax concessions during skills development period].

Further promotion and encouragement may be required of the rights to participate in the economy, home ownership, improved living standards and health and well being, and building stronger families and communities. There was encouragement to build the capacity and confidence of the disadvantaged, low income earners in being valued citizens of Australia, and ensure taxes are being reinvested into important matters impacting these groups, e.g. education, housing, health, skills and economic development.

SESSION 4 – TRANSFER PAYMENTS

Social security aimed at reducing poverty and targeting the poorer communities, including pensioners and requires a system to support incentives to workforce participation.

Enhance income support to assist with the transition to work, particularly the long-term unemployed and those unable/able to participate in paid work to address entrenched poverty.

Participants emphasised an aging population and encouraged incentives for sustaining and returning aged Australians in the workforce. Encouragement from forum was for employers to change workplace cultures to facilitate flexibility and the removal of prejudices and attitudes towards older workers to keep them in the workforce longer due to their reliability and ability to contribute to superannuation.

This session also suggested raising rent assistance ceilings in social housing and more attuned to income.

SESSION 5 – PERSONAL TAX

Progressive tax reform measures emphasises:

- Workforce participation

- Housing affordability
- Tax incentives for small businesses
- Potential exemptions for not-for-profit organisations; service providers, trusts and some companies
- Marginal tax equity

Considerations for expansion in the Congress statement contributing to simpler and fairer tax system may be resources tax to first peoples from mining profits. As well as developing strategies for tabling tax concerns within the reforms for the enhancement of first peoples standing in community through greater understanding and participation.

SESSION 6 – TAX SYSTEM GOVERNANCE

Participants urged simplification of tax language and dealings should be an integral part of the reforms to enhance social inclusion and interaction with the tax system.

Complaints handling system and more personable service improvements are required. A new national tax body [advisory] was suggested to take the reforms forward

An increased level of community and professional engagement is required, so the simplification of policy development and more clarity on tax laws and ruling to assist.

CLOSING

Some next steps in the tax reforms suggest:

- ❖ Across the board company tax cuts
- ❖ Targeted support for struggling small businesses and manufacturing industry
- ❖ Creation of business tax reform working group for a patchwork economy and exploration of options for losses and option for funding business tax reforms from November to March 2012.
- ❖ Establish long term options by December 2012
- ❖ \$6,500 write for small businesses by July 2012
- ❖ Establishment of an ATO-Treasury working group
- ❖ A state tax reform plan by state treasurers to CoAG by the end of 2012
- ❖ Trebling the tax free threshold to \$21,000
- ❖ Creating incentives for the disadvantaged, long term unemployed, and people with disabilities to participate in the workforce and retain or re-entry of aged workers.
- ❖ Superannuation reform through MySuper
- ❖ Effective support for the not-for-profit sector
- ❖ Evidenced based policy development and tax institute to develop common ground and pathway for tax reforms.