

PRIME MINISTER TREASURER

STRONGER, FAIRER, SIMPLER: A TAX PLAN FOR OUR FUTURE

The long term tax plan we announce today will strengthen the economy and make the tax system fairer and simpler for Australian working families and businesses.

These are the first steps in a 10 year agenda that will help ensure we share prosperity fairly, maximise our opportunities, and keep Australia in the box seat as the global recovery gathers pace.

Australia faces important decisions about how we structure our tax system.

This package is carefully calibrated to make the most of the opportunities presented by commodity boom mark II, but also to address the challenges that it presents.

This is a long term plan to apply a Resource Super Profits tax to the profits earned from resources that are owned by all Australians, and use it to:

- generate more superannuation savings for working families;
- lower tax for all companies, especially small businesses; and
- invest in our future infrastructure needs, particularly for mining states.

A Resource Super Profits Tax will ensure Australians get a fair share from our valuable non-renewable resources.

It will be a better way to tax resources because it only taxes profits and fully recognises the large investments made in resource projects.

It will also rebate State royalties paid by resource companies, and the Government will consult with the States on the implementation of this. The revenues will be used to deliver a stronger economy for Australian families.

Approximately one third of the package will directly assist the resources sector. A Resource State Infrastructure Fund will make infrastructure spending a permanent feature of Commonwealth and State budgets.

It will deliver \$700 million in 2012-13 and more than \$5.6 billion over the next decade, particularly for mining states.

Without infrastructure funding, capacity constraints will stand in the way of resource sector expansion. A Resource Exploration Rebate will help small exploration companies search for new deposits.

Roughly a third of the package will promote growth across the economy, addressing the risk of a "two-speed economy" by taking the brakes off the slower lane.

A phased cut in the company tax rate to 28 per cent will assist the competitiveness of all Australian industries. The Government will also seek to cut the company tax rate further, as revenue allows.

Small businesses will get a head start on the company tax cut, with the 28 per cent rate applying from 2012-13.

Small businesses will benefit from a new instant write-off for assets worth up to \$5,000. Depreciation for other assets will be simplified, reducing complexity, cutting red tape and providing up front tax relief.

Roughly a third of the package will be used to ensure that we save rather than squander the benefits of the current boom, and translate higher economic growth and wages into long term benefits and more secure retirements.

The superannuation guarantee will be gradually increased to 12 per cent. Around 3.5 million lower paid Australians will receive a concession on their superannuation guarantee contributions, for the first time.

Over 50s with lower super balances will be given more generous contributions caps to allow them to make catch up contributions.

These superannuation measures will cost the Government \$2.4 billion over the next four years.

These significant reforms will build sustainable growth with low inflation. They will attack potential capacity constraints in our economy and ensure that the proceeds from our mineral resources are dedicated to the best possible outcomes for our economy and our people.

A stronger economy benefits all Australians through more jobs and higher wages. The changes announced today are expected to increase Australian GDP by 0.7 per cent and real wages by 1.1 per cent in the long run. In current terms, this reform dividend is equivalent to an extra \$450 per year in the pocket of a full-time worker on average weekly earnings.

These reforms will make our tax system fairer, by providing more Australians with a fair return for our natural resource wealth and by providing better superannuation concessions for over two million lower income earners.

The system will be simpler, especially for small businesses through simpler tax arrangements.

These changes will be consistent with our fiscal rules and will not detract from our ability to return the Budget to surplus and repay debt. This means that the package is dependent on the successful implementation of the Resource Super Profits Tax.

These reforms will not be welcomed by every business or every interest group, but they are the considered, responsible changes we need if we are to turn our success during the global recession into enduring gains for our economy, our people and our nation.

The Government's agenda for tax reform has been informed by the independent tax review, our discussions with the community and our own values and beliefs.

We will consult broadly on the changes, including with businesses, the states and the broader community.

Today we have announced that the first wave of our agenda is to reform resource, company and small business taxes and superannuation.

In the coming months we will have more to say on a number of other areas considered by the review, especially making tax time simpler for everyday Australians, improving incentives to save and improving the governance and transparency of the tax system. This would represent a full second term agenda.

Other recommendations in the review are not government policy. We have called for a mature tax debate and expect the other recommendations to be the subject of much discussion in the coming years.

We thank the five eminent members of the independent review panel; Ken Henry, Jeff Harmer, John Piggott, Heather Ridout and Greg Smith, as well as the dedicated review secretariat who supported them.

We also thank the community for their extensive contribution to the development of the report we are releasing today.

Information about the Government's future tax plan is available on the Stronger, Fairer, Simpler website at www.futuretax.gov.au. People can subscribe to the site and receive regular updates and advice, or call 1800 614 133 for further information and to obtain hard copies.

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ATTACHMENT

Today we have announced that the first wave of our agenda is to reform resource, company and small business taxes and superannuation. We are also attracted to developing changes in a number of other areas considered by the review, especially making tax time simpler for everyday Australians, improving incentives to save and improving the governance and transparency of the tax system. This would represent a full second term agenda.

Other recommendations in the review are not government policy. We have called for a mature tax debate and expect the other recommendations to be subject of much debate in the coming years.

In the interests of business and community certainty, the Government advises that it will not implement the following policies at any stage. Some of these are recommendations of the Australia's Future Tax System review, some are potential mis-interpretations of the recommendations.

- Include the family home in means tests (see Rec 88c)
- Introduce land tax on the family home – this is a state tax and thus an issue for the states (see Rec 52 & 53)
- Require parents to work when their youngest child turns 4 (see Rec 85)
- Hit single income families (see Rec 92 & 93)
- Restrict eligibility to rent assistance for families (see Rec 103)
- Do any changes to the tax system that harm the not-for-profit sector, including removing the benefit of tax concessions, raising the gift deductibility threshold or changing income tax arrangements for clubs (see Rec 9e, 13, 41, 43 & 44)
- Reduce overall remuneration to the members of our defence forces (see Rec 6d, 8c & 9e)
- Reduce the CGT discount, apply a discount to negative gearing deductions, or change grandfathering arrangements for CGT (see Rec 14 & 17c)
- Remove the Medicare levy (see part of Rec 5)
- Reduce indexation of the age pension (see Rec 84)
- Remove the benefits of dividend imputation (see Rec 37)
- Think of hitting pensioner and low income concessions for utilities, transport and other essential services (see Rec 107)
- Introduce a bequests tax (see Rec 25)
- Align preservation age with pension age (see Recommendation in AFTS Retirement income strategic issues paper)
- Offer a government annuity product (see Rec 22)
- Ask the States to charge market rents to public housing recipients (see Rec 106)
- Abolish the Luxury car tax (see Rec 80)
- Index fuel tax to CPI (see Rec 65)
- Change alcohol tax in the middle of a wine glut and where there is an industry restructure underway (see Rec 71)

The Government also reaffirms that it will never increase the rate or broaden the base of the GST or remove tax free superannuation payments for the over 60s, which were both ruled out of the AFTS Terms of Reference.