



‘SMES FAVOUR A TWO-TIER TAX SYSTEM AND RETAINING THE CURRENT CORPORATE TAX RATE’, PITCHER PARTNERS TAX REFORM SURVEY

Strong support for a two-tier tax system involving less complex rules for small to medium-sized enterprises and retaining the current corporate tax rate were two key outcomes in the *Pitcher Partners Tax Reform Review* survey issued today.

Pitcher Partners partner Ray Cummings said 78% of respondents to the survey were in favour of a two-tier tax system which had a set of base rules which applied to all taxpayers, and more complex rules such as the existing rules relating to tax consolidation, taxation of financial arrangements, and the like, could exclude SMEs.

“In terms of a dividing line as to which taxpayers would be subject to the less complex system, \$100 million turnover was the most popular figure advocated by those businesses surveyed.”

Mr Cummings said the survey also revealed client attitudes on corporate and personal tax rates with 61% advocating the retention of the current corporate rate, and 80% favouring an alignment of the top personal tax rate to the corporate tax rate of 30% with the clear view that anything in excess of 30% was too high.

“It is somewhat surprising that more respondents, predominantly SMEs, were satisfied with the 30% corporate tax rate than a lower tax rate,” he said.

The survey also indicated support for a tax system where taxable income would be based on audited accounting profits with 60% in favour of such a design, though respondents were presumably attracted by the simplicity of such a concept rather than having to calculate permanent and timing adjustments to arrive at their taxable income.

Mr Cummings said some early submissions to the Henry Review for tax reform recommended a system for taxing SME companies as flow-through vehicles in the same manner as a discretionary trust, however, “while this has the merits of simplicity and limited liability protection, 65% of respondents did not favour such an approach”.

The *Pitcher Partners Tax Reform Review* surveyed more than 900 clients in relation to the Government’s review into tax reform and included large businesses (turnover \$250m), SMEs (\$2m to \$250m), high networth individuals and families. The *Pitcher Partners Tax Reform Review* formed the basis of a submission to the Henry Review and gives special focus to the middle market as this has been largely ignored or misunderstood by commentators. The Henry Review will be completed in December 2009.

For copies of the *Pitcher Partners Tax Reform Review*, please contact Alyssa on (03) 8610 5114

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