



GOVERNMENT IGNORES INVESTMENT, CGT, TRUSTS ETC AND FALLS SHORT IN ADDRESSING KEY TAX REFORM FOR BUSINESS IN HENRY REVIEW

The Federal Government has not responded to the business community's call for tax reform in the Henry Review, including a long list of tax issues, with the recommendations adopted by the Government falling well short of addressing key tax form for business particularly for SMEs, said Pitcher Partners partners Ray Cummings and John Brazzale.

“Beyond tinkering with the tax rate, tax issues that haven't been addressed for private business owners include, but are not limited to, extending the investment allowance to encourage capital investment, simplifying the CGT system, clarifying key issues in respect of the taxation of trusts adopting a simpler tax system for SMEs, eliminating key inefficiencies in Australia's international tax regime, just to mention a few.

“Many of these measures would not involve a significant cost to the Revenue. All that is required is for a bit of thought and common sense to see the light of day in these areas.”

Mr Cummings and Mr Brazzale said the Government has recognised a "two speed economy" – essentially resource companies, and then “everyone else”.

“It is difficult to see what they are recommending to Australia's business owners by way of incentives for investment, saving or innovation or, indeed, to see any signs of anything that will reduce tax compliance costs.

“At a time when interest rates are increasing and businesses are faced with an economy still recovering from the GFC, it looks like a case of too little, too late.”

Mr Cummings and Mr Brazzale said the Government's package for “micro” business (turnover less than \$2 million) consists fundamentally of an early reduction in the corporate tax rate and immediate write-offs for capital equipment costing less than \$5,000, but said the Government's measures are directed at the small end of town with “nothing for SME's generally”.

“ A corporate tax rate cut of 2% will not have a fundamental impact on business, particularly as this does not cut in until 2013 at the earliest. The corporate rate cuts should certainly take place sooner and arguably to a rate lower than 28%.

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