

GST IS OPPORTUNITY FOR GOVERNMENT TO EXPAND REVENUE BASE, SAYS PITCHER PARTNERS

With GST reform firmly on the agenda for this week's COAG meeting, Pitcher Partners welcomes state and federal governments' commitment to engage in a transparent conversation about GST reform.

Pitcher Partners partner Craig Whatman considers GST reform an inevitability.

“The government has flagged that it must expand its revenue base, and the GST is an obvious opportunity.

“The most likely change based on the options the government is currently considering is an increase in the GST rate. Although a rate rise to 12.5% is possible, the modelling shows that a GST rate of 15% may be required to generate sufficient revenue for broader tax reform.

“If the GST base is to be expanded, the most logical expansion of the base is around food – the different tax treatments for fresh as opposed to processed food are a major headache for the food industry. It's the classic birthday cake problem.

“Reducing GST complexity will deliver greater efficiencies for the food industry, as it reduces the cost of compliance.”

However, Mr Whatman has cautioned that any changes to the GST would need a significant transition period to avoid creating confusion and inefficiency, particularly in the small to medium enterprise market.

“Any changes to the GST rate or base will necessarily impact SMEs' accounting systems and processes, as well as raising questions about who bears the cost of any GST increase in the case of long term contracts.

“In the event that the government does forge ahead with GST reform, ideally we'd be looking at a transition period of 12 months for any changes to the GST. But any transition period of less than 6 months will simply not allow enough time for SMEs to adapt their systems and contracts, creating confusion for both suppliers and customers,” Mr Whatman said.

Pitcher Partners is an association of independent firms located in Melbourne, Sydney, Perth, Adelaide, Brisbane and Newcastle. Pitcher Partners are independent members of Baker Tilly International.

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