

MEDIA RELEASE

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A competitive tax system should be COAG's focus

The Financial Services Council has urged the Council of Australian Governments (COAG) meetings to focus on removing or reducing taxes which impinge Australian competitiveness.

The Commonwealth and the states should put the national interest first on tax reform, as both tiers of government have unsustainable revenue bases which conspire to reduce Australia's growth.

The latest *Global Competitiveness Report* from the World Economic Forum cites Australia's tax system as the biggest drag on our competitiveness.

COAG should start with the low hanging fruit by removing state stamp duties on life insurance which raise just \$375 million but cost \$85 million to collect.

Andrew Bragg, FSC director of policy said: "We understand Australia's tax system cannot be recalibrated without federation reform."

"In an era where capital is mobile, our provincial focus and inefficient tax system is costing Australia investment and jobs."

"The reform malaise has forced the states to rely on a boondoggle of inefficient stamp duties. The states collect just \$375 million on life insurance duties which cost over \$85 million to collect."

Stamp duties on life insurance are the second least efficient tax according to Deloitte Access Economics.

"COAG must develop serious proposals for tax reform for Australia to remain a prosperous and competitive country. A mandate for structural tax and federation reform should be sought in 2016."

Competitiveness is significantly hampered by Commonwealth taxation: "Canberra is too reliant on company tax, the 30% rate compares poorly against the Asian average of 22%. The federal government receives 18.5% of its revenue from company tax which is more than double the OECD average of 8%."

The impact on investment from a high company tax rate is clear. OECD research shows that every 1 per cent in the corporate tax rate results in a fall in foreign direct investment by 3.7 per cent.

"A competitive tax system would be characterised by a company tax rate closer to 20%, lower income taxes, sweeping away stamp duties and a broader, higher GST," Mr Bragg said.

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About the Financial Services Council

The Financial Services Council (FSC) has over 115 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees. The industry is responsible for investing more than \$2.6 trillion on behalf of 11.5 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the third largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

