



Tax Forum submission 2011

THE AUSTRALIAN RETAILERS ASSOCIATION

SUBMISSION

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Australian Retailers Association

Level 10, 136 Exhibition Street

MELBOURNE VIC 3000

Tel: 1300 368 041

info@retail.org.au

Russell Zimmerman Executive Director

russell.zimmerman@retail.org.au

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Australian Retailers Association

- Voice of the Retail Industry

For over 100 years, the Australian Retailers Association (ARA) has been the peak industry body in Australia's \$240 billion retail sector which employs over 1.2 million people. As an incorporated employer body under the Fair Work (Registered Organisations) Act 2009 and with a range of member services including employment relations, policy development, advocacy and education, the ARA promotes and protects over 5000 independent and national retailers throughout Australia.

The ARA provides leadership and solutions to improve the long-term viability, productivity and visibility of the retail industry by proactively dealing with government, media and other regulatory bodies on behalf of our members. ARA members comprise a diversity of sizes and types of retailers reflecting the profile of the retail industry, ranging from large national chain retailers to one-person operators throughout the nation.

Retailers in Australia are facing an increasingly difficult operating environment. In the last ten years, the structure of the retail sector has shifted and evolved as a result of globalisation, advances in the digital economy, and changes to business practice policies (such as employment and tenancy frameworks). In addition, the retail sector has experienced various economic environments with the Global Financial Crisis and fluctuating Australian dollar having a significant effect on the performance of the industry.

ARA will make a number of recommendations and suggestions for the tax forum. While our main issues of interest will be business taxes, other areas of taxation do affect the sector and consumer confidence ranging from finance charges to income tax levels. For retail to remain profitable and continue expanding, retailers require cash flow within the economy and low cost business inputs.

ARA finds itself unable to limit the scope of its submission to the Government's guidelines for the tax forum. ARA believes real change can't be achieved without the GST being part of the discussion. ARA cannot see how meaningful change can occur on State based taxes or collection and administration of the tax system without being able to discuss the GST.

PERSONAL INCOME TAX AND SUPERANNUATION

BROAD OVERVIEW

Simplification of tax returns, more transparent tax rates, establishing standard deductions and reducing tax rates.

TRANSFER PAYMENTS (WELFARE)

BROAD OVERVIEW

The transfer system should be separate from the tax system. ARA would not like to see it expanded beyond a highly targeted tightly controlled framework. Barriers which create disincentives to participate in the workforce or affect the efficiency of the broader economy should be removed.

BUSINESS TAX

CORPORATE TAX RATES

ARA has no doubt corporate tax rates in Australia are too high especially compared to international corporate tax rates.

As retailers have increasingly become trade exposed ARA finds its members struggling to be internationally competitive having to carry such a high corporate tax rate burden.

ARA recommends reducing the company tax rate further and the overall taxation burden as a proportion of government revenue from business.

GST EFFICIENCY

With the GST being one of the most efficient forms of tax collection ARA would like to see some of the original principals set out during its introduction placed back on State and Federal Government agendas. ARA could see a possible broadening in the GST revenue base as an acceptable way of abolishing inefficient and burdensome business taxes.

GST COLLECTION

MYOB found 71% of Australian business owners want the Business Activity Statement (BAS) simplified. The same survey found 39% believe the BAS form is difficult to understand with most business owners spending up to 10 hours per month on preparing data to complete a single BAS submission.

Recommendations would be the ATO:

- Simplify GST reporting and the BAS form.
- Improve material on BAS and GST reporting making it easier to understand.

SMALL BUSINESS ENTITY TEST

ARA would like the Government to broaden the “small business entity test” as suggested in the Australia’s Future Tax System (AFTS) review. An increase in the turnover test as suggested in the review to \$5 million from \$2 million and changes to the net asset test allowing for an increase would allow access to business tax concessions.

STATE TAXES

As mentioned GST is an integral part of achieving real reform and changes within State based taxes and duties.

ARA would support the removal of the following business taxes:

- Payroll tax
- Stamp duty
- Insurance taxes
- Conveyance and other commercial transaction duties on property

LOW VALUE IMPORT THRESHOLD (LVIT) ON GST

ARA strongly supports the adoption of a tax neutral policy on imports of any value as part of the Tax Forum. ARA believes this tax neutrality could be achieved with greater efficiencies through reform of Customs and Australia Post processing of overseas purchased goods. ARA believes that Treasury, the ATO and Government must make the decision now as the issue of LVIT imports and lost revenues will only increase.

ARA supports changing the parcel handling processes of both air/sea cargo and internal mail, reducing administrative compliance and enforcement costs of administering the Low Value

Import Threshold (LVIT), and allowing it to be reduced. ARA maintains the position that the objective of any changes should be tax neutrality.

The issue of distribution on GST revenue is affected by LVIT as revenues have dropped through the slowing economy. Retail is the end of the GST tax collection chain, as growth has slowed or become negative State Government's have effectively received less revenue. According to Price Waterhouse Coopers (PwC) and Frost & Sullivan, Australians will spend more than \$13.6 billion online in 2011. According to the report, online spending by Australians will reach \$21.7 billion by 2015, representing a compound annual growth rate (CAGR) of 12.6%. The Productivity Commission predicts around one third of all online retail sales are currently from overseas.

With a review of the distribution of GST imminent State Governments should seek urgent rectification of the increasing GST tax revenue now being lost through the LVIT loophole.

We believe the removal of the competitive disadvantage imposed by the current LVIT system on retailers should be a priority for the Government coming out of this tax forum.

ARA recommends:

- State Government's urgently seek the LVIT issue to be addressed
- The Federal Government to accept the Productivity Commissions draft recommendations on a path forward to rectify the issue.

ENVIRONMENTAL AND SOCIAL TAXES

ROAD TRANSPORT TAXES

Any move to increase road transport costs for business or moves which could restrict consumer usage or access to retail hubs would be seen as another blow to an already struggling sector.

ARA sees advantages in the removal or reduction in transport related road taxes to increase consumer spending and reduce business costs.

ARA could find itself in agreement with specific targeted charges and taxes which increase the ease of use and access to transport for consumers and efficiencies for business transport which reduce overall business costs.

CARBON TAX

ARA cannot support a tax which will only damage the economy and deliver no environmental benefit.

ARA supports business incentives to reduce energy usage.

TAX SYSTEM GOVERNANCE

TECHNOLOGY AND INFORMATION MANAGEMENT

ARA would encourage the improved use of electronic assessment and book keeping methods which can feed directly into ATO processes.

ARA sees real advantages for businesses in accurate book keeping and where possible electronic compliance systems which would reduce the need for some traditional book keeping and advice requirements.

Greater co-ordination and one stop collection methods if properly constructed with industry input could see red tape and administration reduced for retailers.