



TAX FORUM

4-5 October 2011

STATEMENT OF REFORM PRIORITIES

PARTICIPANT NAME AND POSITION

Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia

ORGANISATION

Master Builders is the peak building and construction industry association in Australia.

Master Builders' primary role is to champion the interests of the building and construction industry, representing residential and commercial building, and engineering construction.

Master Builders has grown to over 31,000 member companies with representation in every state and territory in Australia, the great majority of which, by number, are small to medium sized enterprises.

Master Builders' membership consists of large national, international, residential and commercial builders and civil contractors through to smaller local subcontracting firms, as well as suppliers and professional industry advisers. Membership of Master Builders' represents 95 per cent of all sectors of the building industry.

Master Builders has offices in all capital cities and major regional cities of Australia.

STATEMENT OF PRIORITIES

Overarching Framework: The Australian tax system must be efficient, globally competitive and fair if we, as a nation, are to meet the major economic and public policy challenges which lay ahead.

There is a need for major reforms of the Australian taxation and welfare systems to maximise our national capacity to create wealth, to encourage entrepreneurship and to encourage productivity, and through these rewarding employment.

The building and construction industry has a key role to play in the ongoing program of



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work on taxation reform, accounting for almost 8 per cent of Australia's national output (GDP) and more than 9 per cent of Australia's employment (or some 1 million people).

Building and construction is also one of the most widely taxed industries in Australia. The sector suffers a direct and indirect tax burden at all levels of government, Federal, State and Territory, and Local.

This high and onerous tax burden distorts investment decisions, discourages entrepreneurship and innovation, reduces business investment, and employment opportunities, and diverts scarce resources into (unproductive) tax compliance – with the burden being disproportionately heavy for small business.

Specific Priorities for Tax Reform: Master Builders' main priorities for tax reform fall under three main headings: company and personal tax; improving housing affordability; and simplifying tax compliance.

- Company and personal tax: reducing the company tax rate to 25 per cent; planning for further reduction in personal income tax rates; and the introduction of a reducing, stepped rate of capital gains tax;
- improving housing affordability: removing supply constraints, especially on the supply of land for residential purposes; eliminating unjustifiable developer charges; and, winding-back the burden of conveyance stamp duties, especially for first home buyers; and,
- simplifying tax compliance, especially for small business, to free up entrepreneurial energies for more productive purposes, most notably creating new productive investment and through this rewarding employment.

Concrete Action Agendas: Master Builders will be looking to the Tax Forum to be a springboard for a new wave of meaningful taxation reform.

Master Builders will be working at the Forum to facilitate the development of a number of concrete Action Agendas on key issues in taxation reform, being driven by dedicated Action Groups.

The proposed six key themes offer a good framework for these Action Agendas/Groups –



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one each on personal tax; transfer payments; business tax; state taxes; environmental and social taxes; and, tax system governance.

Housing affordability should be added to the list.

Master Builders would expect strong business input to the work of these Action Groups.

Key outputs from these Action Agendas/ Groups would be substantive reports on key issues and proposals for concrete action within their respective areas with two, five and ten year benchmarks.

Master Builders will also be looking for bipartisan support for tax reform.

How are your proposals financed over the short and longer term?

Master Builders believe there are several ways to finance meaningful and sustainable taxation reform. These include by:

- realising the dividends of real and sustainable economic growth;
- lifting our national productivity performance, by tackling the various inefficiencies which impair our domestic and international competitiveness;
- taking decisive action, at federal, state and territory, and local government level to wind-back, if not eliminate, inefficient and excessively distorting taxes and charges; and,
- acting on inefficient and wasteful government expenditures.