

PAUL LOCKLEAR: Well it seems to be a question of where, not if, the tax cuts will come from Federal Treasurer's budget next month. The speculation was fired up by yesterday's release of the International Tax Comparison, which Mr Costello commissioned. And it appears to have something for everyone pressing claims for cuts in personal or corporate taxes.

The Business Lobby has long been arguing for relief, and will now use the report to press its case even harder.

Joining me now is Heather Ridout, Chief Executive of the Australian Industry Group. What ammunition does this give you now in your argument?

HEATHER RIDOUT: Well, I think it really does indicate we have a very high top marginal tax rate. It indicates we have very high effective marginal tax rates on low-income earners seeking to do more work or enter the workforce.

I think it confirms that we have high corporate taxes and very low

deductions for things like depreciation; R&D expenditure.

So, I think there's a lot in there that business can hold onto.

**LOCKLEAR:** Treasurer Costello was saying today that the 30% rate stacks up pretty well against the rest of the world.

**RIDOUT:** Yes, it probably does, but what we're talking about are people earning between \$21,500 and \$30,000 paying 30 cents in the dollar. We believe they should pay 15 cents in the dollar, so their effective marginal tax rates are slashed in half, and their marginal tax rate is slashed in half.

And, we think for people moving from welfare to work, retirees wanting to do a bit of extra work; a whole lot of groups, around this domestic policy goal of participation; that makes an awful lot of sense.

**LOCKLEAR:** What particular areas are you homing in on? What concessions are you asking for here?

RIDOUT: We're asking for that one, in relation to low-income earners. We're seeking, at the same time, for the top rate be brought down, and it's pretty clear we have a very high top rate, and that's a disincentive to savings; it's a disincentive to working; disincentive to attracting skilled migrants to Australia on any measure.

We're also seeking corporate tax relief over time, but we want the priority to be given, in the next budget at least, to the personal taxpayer.

LOCKLEAR: So, cuts at the lower end and the top end; what about the middle? What are you asking for across the board in terms of income tax cuts to promote productivity?

RIDOUT: Well there's a big argument we should have on income tax, tax reform, which would raise a whole lot of very tricky political issues, and this report actually highlighted a lot of them – do we put more emphasis on indirect taxes, that might mean an increase in the GST; do we put more emphasis on

land taxes, not many people like that. We don't have a wealth tax. We don't inheritance taxes. Do we want that?

So whatever you do involves a lot of tough political choices. What we want is genuine tax reform in the personal tax structure.

Last year we had a lot of changes to middle income earners. We'd like to see the emphasis on the bottom and on the top on this occasion.

LOCKLEAR:

We'll have to leave it there.  
Heather Ridout, thanks for coming in today.

RIDOUT:

Thank you very much.

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