

Transcript

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Compere: **DAVID SPEERS** Summary ID: **M00030420860**

Item: **DISCUSSION ABOUT THE AUSTRALIAN TAX SYSTEM IN THE CONTEXT OF A PROPOSED REVIEW.**

INTERVIEWEES: HEATHER RIDOUT, AUSTRALIAN INDUSTRY GROUP

Demographics: Male 16+	Female 16+	All people	ABs	GBs
N/A	N/A	N/A	N/A	N/A

DAVID SPEERS: First, though, a look at one of the big ideas to come out of the weekend's 2020 Summit which Prime Minister Kevin Rudd has already picked up: a call for a review of the entire tax system. Indeed, there is widespread support for a taxation review from the Government, from the Opposition, and indeed, many involved in the economy.

But are they likely to agree on what sort of changes should be made to the tax system?

Heather Ridout is the chief executive officer of the Australian Industry Group. She has thought long and hard about this taxation issue. And I spoke to her a short while ago about the sort of changes she would like to see.

HEATHER RIDOUT: Well I think, going forward, we have got a tax system that hasn't been reviewed properly for probably over - around 30 years.

We have had big changes over the years to our welfare and benefit arrangements. We have got the carbon economy, which is coming forward, when we will be raising more revenue which will give us a chance to reduce taxes in other places. So it is time we did have a really good root and branch look at our tax system.

DAVID SPEERS: But are there any particular taxes that stand out like sore thumbs for you.

HEATHER RIDOUT: Oh, look, there are some very bad taxes - you know, about 80 per cent of the revenue is raised from 20 per cent of the tax. The old 80 - 20 rule really does apply. But when you look at the insurance taxes. When you look at a lot of the stamp duties in other areas, and transactions taxes such as that, when you look at pay roll tax.....

So there is a real need to get rid of those taxes, and start to bring the tax system up to the 21st century.

DAVID SPEERS: You have also identified property transactions. And anybody who has bought a home or, you know, moved home, they will know that they get stung left, right and centre.

What would you like to see happen there?

HEATHER RIDOUT: Well, I think we can look - this is where we need a national approach. We can actually reduce a number of these property taxes - land taxes, local government rates, to one tax. So there is - if we take a truly national approach to this, we can really simplify those sorts of taxes, and start to say, well, this is what you will pay; and this is what it will look like.

DAVID SPEERS: Most of the politicians are saying, don't look at the GST. That has got to stay at 10 per cent. They seem to be too worried about flagging any look or possibility of increasing that.

How about you. Is that something that should be off limits?

HEATHER RIDOUT: Look, I think we should have an open mind. At the moment, Australia relies far too much on income tax, and not enough on consumption taxes.

Now, there are ways to do that where you can compensate those who will be worse off, and try and get a better deal for everyone. But what we really want is a simpler, more robust, more resilient tax system. And we really need to look at those sorts of areas.

DAVID SPEERS: So are you saying the GST is an efficient tax, and therefore something that perhaps should have a greater role.

HEATHER RIDOUT: Well, I think we need to have more of a reliance on consumption taxes.

At the moment, we're relying on income tax for individuals. They create less incentive to work and to participate in paid labour. Now, if we can have a look at that whole area, and say, well, okay, we shift it here. And we will compensate low income earners in some way through that process, it is not beyond our wit to do so.

We could start to lift the whole dynamics and resilience of the tax system.

DAVID SPEERS: So you...

HEATHER RIDOUT: We shouldn't rule out anything.

DAVID SPEERS: No. But if - a higher GST, as I think he is saying, would hit the lower income earners harder because it is a flat tax that everybody pays whatever the rate of the GST is. So you would need some sort of compensation.

HEATHER RIDOUT: Well, I think we are getting well beyond ourselves here, David. I think we need to just say, look. Let's have an open mind about what this new tax system might look like.

If you get rid of payroll tax - that's a tax on jobs - you might create more employment; and that will benefit people who at the moment are out of work or potentially might be able to work in the future.

So I think we just have to look at the problems with the tax system. Take a national view about it. And have an open mind.

DAVID SPEERS: And all levels, all tiers, federal, state, local.

HEATHER RIDOUT: We need a truly national approach.

DAVID SPEERS: That is going to take a long time, isn't it.

HEATHER RIDOUT: Well, if we do that - plus, we look at the benefit welfare area, plus we look at the carbon economy issues. This is a big job. It will be a two to three year exercise, and that is why, even if we started now, it certainly is a second-term issue for Kevin Rudd.

DAVID SPEERS: And what about the structure of this? How should it be reviewed? Who should do it, and how should the Government approach this.

HEATHER RIDOUT: Look, our view is it should be a fully independent review. It should be independent of Government. It should be like the Campbell Inquiry into the financial system, for example, in 1981, where we had an independent chair, an independent channel, an independent secretariat, very well resourced, which had a - kind of a life of its own. And it really conducted that very well. And of course, those changes have endured.

DAVID SPEERS: All right. Heather Ridout, thanks for your time.

HEATHER RIDOUT: My pleasure.