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Is this another missed opportunity for tax reform?

Article by James Pearson CCI, West Australian column

Tax isn't one of those topics that catches the imagination.

Everyone recognises the importance of paying less tax but in most cases we don't pay much attention when it's being discussed.

That's why it's disappointing that the current Tax Forum being held in Canberra is unlikely to deliver on the reform agenda necessary, despite to media attention being given to the subject.

The slowly building momentum coming into the Forum should not be underestimated. Since the Henry Tax Review there has been an undercurrent of chatter about when we would see some of these important steps being taken towards significant taxation reform.

For that momentum to be dampened by the Federal Government now will make it extremely difficult to reignite that momentum later.

Already we have heard that some of the key topics for discussion are off the table – GST, the Carbon Tax and Minerals Resources Tax won't be considered and will instead loom as the elephants in the room.

CCI has contributed by releasing a comprehensive plan released last week to improve the current taxation environment. At its core it's about simplifying the current system and recognising that the State and Federal government's taxation systems need to be seen as one entity.

Increasing the rate and broadening the application of the GST will provide the scope necessary for the burden to be lowered on other taxes.

Streamlining the taxation system through the simplification of tax scales and thresholds, harmonisation of taxes between jurisdictions, aligning the two Income Tax Acts, will go along way to taking some of the burden off businesses and individuals.

Addressing long term workforce challenges through reforms, such as lowering the income tax rate, addressing high effective marginal tax rates and increasing labour mobility through an increase in the zone rebates in areas of severe labour shortages, will assist in improving participation.

However any tax reform will be limited in scope if there is no commitment to investigate the spending programs of governments at all levels to identify areas of waste and inefficiency.

A commitment and courage is needed from both State and Federal Governments to really drive the changes necessary to assist in increasing workforce participation, productivity and investment.

Until State governments have access to a stable revenue stream, it's unlikely we will see the inefficient taxes like stamp duty and payroll tax, that are holding back growth and development, be removed.

It's the only way the significant economic reforms of the past 25 years have been achieved. Achieving substantial reform is not easy.

It might not be dinner table conversation, but the prospect for taxation reform under this latest push is an opportunity that is too good to waste.