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TAX REFORM MUST DELIVER TAX CUTS: IPA

The government's Tax Discussion Paper released today fails to address the need to reduce the size of government in Australia, says the free market think tank the Institute of Public Affairs.

"Australia does not need new or higher taxes. The Abbott government should immediately rule out the idea of a bank deposits tax, and reverse its previous tax increases," says Dr Mikayla Novak, Senior Research Fellow at the Institute of Public Affairs.

"The Tax Discussion Paper rests upon the false assumption that Australia is a low-taxing country."

"But superannuation contributions, health insurance premiums, and workers' compensation premiums effectively act as taxes, since non-payment of these obligations carry tax penalties," says Dr Novak.

IPA research shows that if these payments are added to the OECD tax statistics, the Australian tax-to-GDP ratio increases from 27.3 per cent to 34.3 per cent in 2012, above the OECD average of 33.7 per cent.

"There's no doubt that Australia would benefit from tax reform. Urgent problems that need fixing include the threat of bracket creep which is exacerbated by a steeply progressive income tax system. The compliance costs borne by tax complexity also needs to be substantially reduced," says Dr Novak.

"Australia needs to radically reduce and simplify the overall burden of its taxation regime, to unleash entrepreneurship, innovation, and investment for growth and prosperity."

"The best way forward is to very substantially reduce government spending, helping to provide room for tax cuts right across the board," says Dr Novak.

Dr Novak's full report, *The Australia 'low taxing country' myth* is available to download here: <http://ipa.org.au/publications/2301/the-australia-%27low-taxing-country%27-myth>

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