



What is your
company's

Total Tax Contribution?

2008 survey results

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Foreword

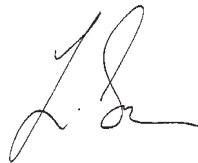
We are pleased to present the third PricewaterhouseCoopers Total Tax Contribution Survey, which was conducted with the assistance of large Australian-based companies. The objective of the 2008 survey is to provide a clear picture of the impact of Australia's tax system on business.

At the time of last year's survey we suggested there was a very real window of opportunity for meaningful tax reform in Australia. Since then, this window has fully opened with the Federal government commissioning a review of Australia's taxation system. The Australia's Future Tax System (AFTS) Review, chaired by Dr Ken Henry, is the first comprehensive review of Australia's tax system. Despite the exclusion of Goods and Services Tax from the Review's terms of reference, the Review represents an enormous opportunity to address the existing shortcomings of the taxation system and help reposition Australia's competitiveness in the world economy.

It is perhaps too early to assume a successful and timely outcome for the review. While there is reasonable consensus on the problems and challenges with the taxation system, there is a far greater diversity of views on the optimum solution. Many of the desirable reforms will not be universally popular, and inevitably there will be some challenges for decision makers. We encourage informed debate to enable the national interest to prevail over short term vested interests.

If the AFTS review and consequent reforms are to provide Australia with an efficient, equitable and competitive tax system, it is essential that the true costs of business taxation are understood. We trust this report will provide valuable insights regarding our tax system and its impact on businesses operating in Australia.

We would like to thank this year's participants for their involvement and encourage the Australian business community to proactively engage with the tax reform process.



Luke Sayers
Tax and Legal Leader



Tim Cox
Tax Partner



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01

Executive summary

Business taxation is overly reliant on corporate income tax and, as a result, Australian government revenues fluctuate strongly with corporate profitability. The risks associated with this will be played out in the current economic downturn.

The competitiveness of Australian business will be severely tested in the current economic climate. A key factor in that competitiveness is taxation – in particular the financial burden it places on business, and the ease with which it is collected. As the Henry Review continues its assessment of the Australian taxation system, this survey provides a timely update on many of the key aspects of all Australian corporate taxes, including how much they raise, how much they cost to administer and how evenly the burden is shared.

A complex Federal, State and Territory tax mix

The Australian corporate taxation system is very complex. Although corporate income tax is the main source of tax revenue from companies, it is only one of 21 different Federal and 35 separate State and Territory taxes. For businesses which operate across Australia, these taxes require compliance of up to 170 different taxation points. They impose significant internal costs, and reduce commercial competitiveness.

By providing an in-depth understanding of how taxation impacts business in Australia, this survey provides the basis for analysis and discussion on the shape and competitiveness of Australia's taxation system.

Data collected and analysed in this survey will help inform businesses, commentators and public bodies on the core aspects involved in corporate taxation and reform, including:

- the amount of revenue raised
- the number and nature of all business taxes
- the consistency of taxation across States
- the administrative burden on both government and business of individual taxes.

The 2008 report focuses on the costs to business of paying their own taxes as well as collecting taxes on behalf of government. Our analysis reveals that compliance with corporate income tax forms a relatively high proportion of these compliance costs and that compliance costs are disproportionately high for smaller companies.

This report also shows that Australian corporate income tax is high by international standards and accounts for almost two-thirds of corporate taxation revenue. Consequently, the Australian Government's overall tax revenue is sensitive to any changes in corporate profitability, such as we are seeing in the current financial crisis. A more balanced mix of taxes would help mitigate this risk.

What is Total Tax Contribution?

The PricewaterhouseCoopers Total Tax Contribution framework focuses on three areas that represent a company's overall taxation contribution. These are:

- Business Taxes Borne by the business – taxes that impact the Income Statement
- Business Taxes Collected – taxes collected from customers and employees that are then remitted to government
- Tax Compliance Costs – the administrative costs incurred in assessing and remitting Taxes Borne and Taxes Collected.

PricewaterhouseCoopers designed the Total Tax Contribution framework to enable companies to collect and report tax information in a consistent manner, to meet stakeholder needs and improve transparency.

The tax reform environment

The economic downturn and consequent decline in corporate taxation revenue should not impede the reform of business taxation in Australia. Instead, it should highlight how vital it is to resolve long-standing problems and maximise the country's competitiveness.

Australia's Future Tax System (AFTS) Review should be seen as a once in a generation opportunity for long-term structural reform in Australia's taxation system, including the taxation of business.

The Review is due to present its findings in late 2009 and it is reasonable to expect that resultant changes might not be operative for some time after then. Since the Review's proposals will outlive the current economic downturn, it is essential that public debate concentrates on the long term fundamentals of the taxation system, not any short term economic stimulus.

The overall number of corporate taxes is, if anything, increasing, and there is already a growing consensus for making the system less complex and more efficient. In June 2008, the NSW Independent Pricing and Regulatory Tribunal (IPART) reported that Commonwealth taxes were more efficient to collect than State taxes and that if States could make greater use of these taxes, it would give them the opportunity to abolish some of their own, low revenue generating taxes.

The IPART report also concluded that the greatest gains would be made from adopting a co-ordinated Commonwealth approach to reform.

Total Tax Contribution (TTC) survey

This year we surveyed 79 Australian businesses, enquiring about the number of taxes they face, the amount of tax they pay and how much they collect on behalf of government, and the cost of tax compliance. This survey follows and reinforces the 2007 Total Tax Contribution survey and the 2006 study Tax Nation: Business Taxes and the Federal-State Divide, which was undertaken with the Business Council of Australia (BCA) and the Corporate Tax Association (CTA).

The companies surveyed in 2008 closely represent large business in Australia. The participants were from a wide range of industries and included many of Australia's largest listed companies, large foreign-owned companies and some privately owned Australian entities. These companies provide a large and increasing share of national revenue.

The results again emphasise the importance of business, particularly large business, as contributors to Australian tax revenues.

The companies we surveyed this year paid over \$31 billion in business taxes, or almost a third of the total projected corporate income taxation revenue for 2007-2008.¹ The survey respondents alone account for 9% of Australia's total tax revenue, which is sufficient to fund almost three-quarters of the 2008-2009 Federal health budget.

Large businesses are also significant employers in Australia, creating highly skilled, well paid jobs. Almost 570,000 Australian's are employed by the survey respondents.

The 2008 survey highlights the way Australia's business tax system operates in practice. The detailed results confirm business' concern about the complexity and inefficiency in the existing system.

¹ Includes company and petroleum resource rent taxation, petroleum excise, other excise and customs duty. Australian Government Taxation and Spending; Budget Overview, 2007-08 Appendix D.





Survey Results

Taxes Borne

The 2008 survey results highlight the role of Australia's largest companies as major contributors to Australia's revenue, both at Federal and State level, and show that:

- The 79 participants incurred \$31,415 million in business taxes, representing 9% of total estimated government taxation receipts. Thus, a small number of companies make a significant contribution to government revenue.
- Of the total business Taxes Borne (see definition on previous page) by survey participants, 65%, or \$20,362 million, was corporate income tax. The reliance on corporate income tax is significantly higher in Australia than most other countries. The global average is closer to 37%².
- A small number of business Taxes Borne by survey participants (corporate income tax, petroleum resource rent tax, excise duties, payroll tax and gaming taxes³) raised \$27,201 million and the remaining 42 business Taxes Borne raised \$4,214 million.
- Of all Taxes Borne by survey participants, Federal taxes comprised 85% and State, Territory and municipal taxes accounted for the balance of 15%.
- Over the last four years, corporate income tax borne increased by 58% for survey participants, and other Taxes Borne increased by 52%. This compares to an increase in overall government tax receipts of 22%.
- However, early signs of the impact of the global financial crisis are evident with corporate income tax receipts increasing only 4%.

Taxes Collected

The role that business plays in supporting the administration of Federal and State tax system is very significant and not properly recognised. The companies who consistently bear the largest amount of tax are also, generally, the largest collectors of tax.

In addition to Taxes Borne, in respect of the 79 participants, 2008 survey results show that:

- Taxes Collected from customers and/or employees totalled \$33,635 million, or 10% of total estimated Australian Government taxation receipts.
- For every \$1 of Tax Borne, a further \$1.07 was collected on behalf of Federal, State and Territory governments.

The picture for individual participants

The 2008 survey results further indicated that:

- Taxes Borne by survey participants represented 34%⁴ of profit before all business taxes.
- Taxes Borne and Taxes Collected represented 12%⁵ of participant companies' turnover.
- Employment taxes (Borne and Collected) per employee amounted to \$31,290⁶ for survey participants.
- The average number of taxing points for Taxes Borne and Taxes Collected identified per survey participant was 24, with the maximum number identified as 67.
- The number and amount of Taxes Borne and Taxes Collected varied substantially between individual survey participants.

Industry segment analysis

An important outcome from the survey was the significant difference between key industry groups with respect to Taxes Borne, Taxes Collected and other measures examined. These differences are due to a range of factors including operating models and the relative profitability of particular industries.

This indicates that any structural reform of business taxation emerging from the AFTS review is likely to result in winners and losers among different industries.

Tax compliance costs

The 'real' cost of compliance is very difficult to determine. It was significant that survey participants, in providing their responses to the questions posed, acknowledged difficulty in estimating costs accurately. Part of this challenge was estimating the hidden costs of systems and other processes that support the delivery of accurate financial information for the purpose of reporting current tax positions.

What is clear, however, is that the cost of complying with Australia's taxation system is a significant additional cost imposed on business. Importantly the survey also reveals that the costs of compliance as a proportion of Taxes Borne tend to be inversely proportional to the size of a business.

Sixty four companies provided responses to the questions in relation to tax compliances costs, differentiating between internal costs (where the tax function is executed in-house) and external costs (where tax functions are partly outsourced). The results show that:

- The cost of complying with the tax system is equivalent to a 1.2%⁷ surtax on the actual taxes paid by business.
- On average, survey participants estimated they incurred total compliance costs of approximately \$2.3 million, including both internal and external costs.
- Eight participants recorded more than \$5 million in compliance costs.

Fifty-one organisations responded to questions in relation to their in-house tax function resources. Results showed that:

- On average, internal tax functions employ seven specialist tax people within in-house tax functions.
- In most cases, companies supplement in-house resources with external service providers to meet their tax compliance obligations.
- Internal tax functions spend over half their time and external spend on meeting regulatory requirements, principally compliance and accounting.

² World Bank, Paying Taxes 2009: The Global Picture.

³ Gaming taxes include public lotteries tax, electronic machines gaming tax, racing tax, casino tax, and the Gaming Commission supervision charge.

⁴ Based on the median result.

⁵ Based on the median result.

⁶ Based on the median result.

⁷ Based on the median result.

02

Total Tax Contribution in 2008

This survey provides up-to-date information and data that can inform and shape public discussion about corporate taxation during the Henry Review consultation.

Key points

- Tax reform will be a high-profile community issue during 2009 in the run up to the recommendations of the Henry Review.
- No business taxes have been repealed since the last Total Tax Contribution Report. Indeed a number of States have either introduced new taxes or deferred the previously proposed abolition of taxes.
- The Australian business tax system is characterised by a prolific number of taxes – there are 56 business taxes imposed upon Australian companies, 21 Federal taxes and 35 State and Territory taxes.
- Businesses operating in all States and Territories potentially have to comply with up to 170 taxation obligations.
- The corporate tax landscape is made more complex and inefficient by the lack of uniformity in tax definitions and administration between jurisdictions.

Tax Reform

Taxation reform is now a key agenda item for the Federal government, with the AFTS Review (chaired by the Secretary to the Treasury Dr Ken Henry) expected to report in December 2009. Although executing tax reform during an economic downturn will no doubt be challenging, it is in the long term interest of the economy that the taxation system should raise revenue as efficiently as possible. This survey provides up-to-date information and data that can helpfully inform and shape public discussion about corporate taxation during the Henry Review consultation.

The 2008 survey is the third Australian Total Tax Contribution survey. This year, the number of respondents has increased from 63 to 79, and over the 3 years of the survey 136 businesses have participated. This year's survey collates findings from companies that contribute approximately one-third of all corporate income tax revenue. As with previous surveys, the results highlight the structural problems with Australia's tax system and the burden it imposes on individual companies.

It is a crucial time in the regulatory reform process and the survey continues to shape the reform debate and increase the stock of publicly available business taxation analysis.

The complex Australian business tax system

The Australian tax system is unnecessarily complex and costly. Corporate income tax is just one of 21 Federal and 35 separate State and Territory taxes and levies imposed upon Australian business. What's more, the number of taxes that apply at each level of government means that businesses operating in all States and Territories potentially have to comply with up to 170 taxation obligations. The sheer number of these 'taxing points' presents a huge and costly compliance obligation for Australian businesses.

Appendix B lists Australian Federal, State and Territory business taxes. In addition to the 56 Federal, State and Territory taxes, there are also municipal taxes on property imposed the many local governments throughout Australia.

Although the complexity of Australian corporate taxation has not improved since the publication of our last survey, the problems are much better understood by both business and government, and taxation is now on the agenda for reform.

There are several challenges to taxation reform. The State taxes that were to have been abolished with the introduction of the GST remain in place, which sustains the imbalances between revenue and expenditures by the Federal and State governments.

The current economic and fiscal climate will likely be seen as an obstacle to reform and may well delay governments' ability to abolish taxes. However, tax reform is a long term project that will deliver lasting efficiency gains and improve the competitiveness of Australian businesses. We do not believe that the downturn should be viewed as an impediment to tax reform.

In the past year, a number of States have either deferred the abolition of taxes or introduced new business taxes, at a time when it was anticipated the number of business taxes would be reducing. Appendix C contains a list of the abolition schedule and its progress.

The business tax landscape is made more complex by the lack of uniformity of rules and jurisdictional overlap of many State taxes. Some similar State taxes continue to apply according to different rules, using different tax bases, thresholds and rates, in each State and Territory. Moreover, these rules are regularly amended. This adds significantly to the number of potential taxing points for a company doing business across the country – and the complexity and compliance risk in meeting these obligations. The number of taxing points also impacts on the ability of companies to manage compliance risk as the company with collection responsibility generally bears the risk of error in relation to taxes that are collected and remitted to revenue authorities (for example, GST and stamp duties).

The last year has seen some positive developments on this front. In October 2008, the NSW Independent Pricing and Regulatory Tribunal (IPART) released a report on reform of state taxation which noted that:

- Commonwealth taxes are more efficient and equitable (than State taxes).
- If States could make greater use of these taxes, there were gains to be made from reducing or eliminating some of the more inefficient State taxes.
- The greatest gains will come through a national approach to tax reform which requires cooperation between the States and the Commonwealth.¹

Total Tax Contribution: the third year

Again, this year's survey used the PricewaterhouseCoopers Total Tax Contribution framework to collect data and analyse the results. This framework enables companies to collect and report business tax information in a consistent and transparent manner. An understanding of Total Tax Contribution provides a company with greater clarity on its overall taxation contribution and the costs it incurs in meeting this obligation. It also provides the business with a mechanism to benchmark its tax profile.

The Total Tax Contribution framework brings together comparable data that can be used to measure the extent of businesses tax contribution. The framework defines the components of a company's overall economic contribution in taxes, examining three specific areas:

1. Business Taxes Borne by the business – taxes that impact the Income Statement
2. Business Taxes Collected – Taxes Collected from customers and employees that are then remitted to government and
3. Tax Compliance Costs – the administrative costs incurred in assessing and remitting Taxes Borne and Taxes Collected.

Further details on the Total Tax Contribution framework and key measures can be found in Appendix A.

Disclosure

Generally in Australia the only information publicly available in relation to tax is the disclosure of income tax on corporate profiles in a listed company's annual report.

However, limited disclosure of other business taxes is being made by a few larger companies. Of the S&P/ASX 20 group, approximately half of the companies provide some

additional disclosure in relation to tax in their corporate social responsibility (CSR) reports. However, only 25% of this group provide 'significant' disclosure. Generally, additional taxation disclosure is minimal and most importantly has little comparability between companies.

Global use of framework

PricewaterhouseCoopers' practices use the Total Tax Contribution framework to assess and analyse corporate taxation. In 2008, PricewaterhouseCoopers UK completed its fourth survey of the country's 100 largest companies² and studies are underway or have been completed in numerous other countries including the United States, Canada, South Africa, Netherlands, Belgium and India. Some comparisons of those surveys are included in section 10 of this report.

The framework was applied by the World Bank in its 2008 report *Paying Taxes 2009: The Global Picture*.³ The purpose of the report was a comparison of the taxes imposed on a specified hypothetical business under each of 178 countries' tax systems and looked at their business tax costs and measures of tax efficiency.⁴ Australia was ranked 48 on ease of paying taxes in the latest World Bank survey.

¹ Jim Cox, Chairman of IPART, 12 June 2008. Media release.

² The One Hundred Group: Finance Directors from 100 of UK's largest companies, roughly analogous to the FTSE 100.

³ World Bank, *Paying Taxes 2009: The Global Picture*.

⁴ The World Bank Report calculated the Australian TTR (Total Tax Rate) at 50.3%. In applying the TTR methodology to Australia for global comparison purposes, the World Bank included superannuation obligations and workers' compensation insurance as Taxes Borne by the business. As noted in Appendix A, these contributions are not included in the Taxes Borne, Taxes Collected or any of the key measures in the 2008 Australian survey.

Darren Day
Head of Tax
Woolworths Limited

Woolworths operates the largest supermarket chain in Australia and is the country's second largest private sector employer. Including its electronics, discount and liquor brands, the company has more than 2000 stores across Australia, and an annual turnover of A\$36 billion. As a national business, Woolworths is particularly burdened by the variety of State-based taxes, according to head of taxation, Darren Day.

"Corporate taxation is overlaid with these State-based taxes that aren't levied on profitability, but on a whole range of other items," says Day. "The challenge is that there are so many bases on which those taxes are levied."

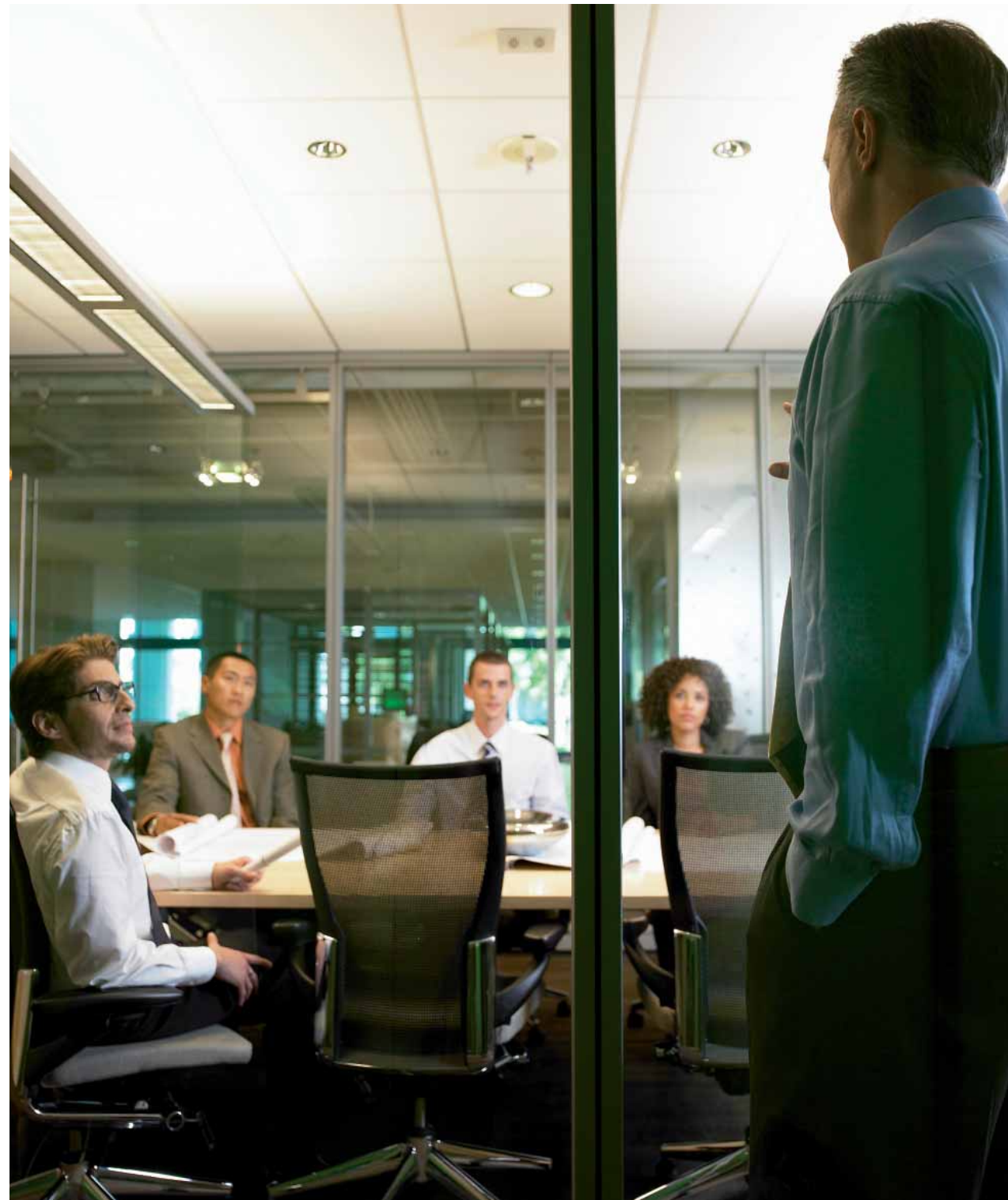
Day cites land valuations needed to calculate stamp duty, remuneration data for payroll tax, turnover for gambling tax, and a vast array of information needed to calculate fringe benefits tax.

"You've got to try to keep abreast of legislative and administrative changes to all those taxes to ensure you're actually paying the correct amount of tax. You need a whole range of people out in the business units who can monitor that and it's very difficult to centrally control a lot of it."

According to Day, the different ways that States levy payroll tax, for example, add to the burden of compliance. "You need someone who can monitor the payroll tax in each State. In our case we've managed to centrally manage that out of one state, but nonetheless, that person then needs to be across the different nuances in each State."

In respect of Federal taxes, Day reports that the compliance burden on Woolworths is exacerbated by the demand for additional statistical information.

"For a self-assessment system, there is a lot of disclosure that needs to be made to the Taxation Office when you lodge an income tax return. I counted up 22 pages of information that needs to be provided. Our actual tax numbers in the return are only two pages."



03

Survey participation

The survey sample contributes approximately one-third of the total corporate tax revenue in Australia.

Key points

- The 2008 Total Tax Contribution survey, which uses the PricewaterhouseCoopers framework, is an update of the same survey conducted during 2007 and published last year.
- Members of the Business Council of Australia (BCA), the Corporate Tax Association (CTA), and other large companies were surveyed to provide data on their Australian tax contribution.
- The survey sample contributes approximately one-third of the total corporate tax revenue in Australia and provides a fair representation of the impact of tax on large business in Australia.
- Many companies experienced difficulty in collecting accurate data in response to survey questions. This provides additional evidence of the complexity of companies' current tax obligations.

The 2008 Australian Total Tax Contribution survey builds on the findings of similar surveys in the previous two years. It is intended to inform dialogue with governments and contribute to public discussion on the shape and competitiveness of the Australian tax system.

PricewaterhouseCoopers Total Tax Contribution framework was used as the basis for collecting information on the total business Taxes Borne and Taxes Collected in Australia by members of the BCA, CTA and other large companies.

The information collected from survey participants only relates to their Australian financial and taxation data. Any foreign taxes have been excluded from information received and analysis of the survey results.

Participation

Respondents were asked to report data for the respective companies' 2008 financial year. Accounting year ends between 1 October 2007 and 30 September 2008 were included.

These cut-off dates have facilitated a reasonable comparison of data generated with standard government information issued by the Australian Bureau of Statistics (ABS) as well as State and Territory Treasuries and the Federal Treasury.

Participants were not required to report those taxes where the estimated amount was "de minimis", defined as less than AUD\$100,000.

Seventy nine organisations submitted data when the survey closed in December 2008 – 16 more than completed the survey in 2007. In total, including new participants in the 2008 survey, the three Total Tax Contribution surveys provide a comprehensive view of the taxation burden on 136 companies.

Of the 79 participants in the 2008 survey:

- 49 were listed on the Australian Stock Exchange (ASX)
- 6 were Australian owned private companies or partnerships, and
- 24 were foreign owned companies.

The survey population comprises a representative cross-section of Australian businesses and includes stapled company trust structures and partnerships. Survey participants also represented a broad range of industry groups within the Australian economy which have been grouped and analysed in the results section.

The participants listed on the ASX have a market capitalisation of over \$660 billion. The survey participants include 65% of the S&P/ASX 20. Survey participants reported total aggregate turnover of \$470 billion with an average of \$6 billion and had operations in an average of six States and Territories. Almost 570,000 Australians are employed by survey respondents.

The data provided by participants has been collated, aggregated and analysed to produce this report. Individual reports will also be provided to each participating organisation. All references to company names were removed for the purposes of processing the data and no list of participants will be published.

Data sensitivity

Survey responses were 'sense checked' by PricewaterhouseCoopers and a number of participants were queried on significant items of discrepant data.

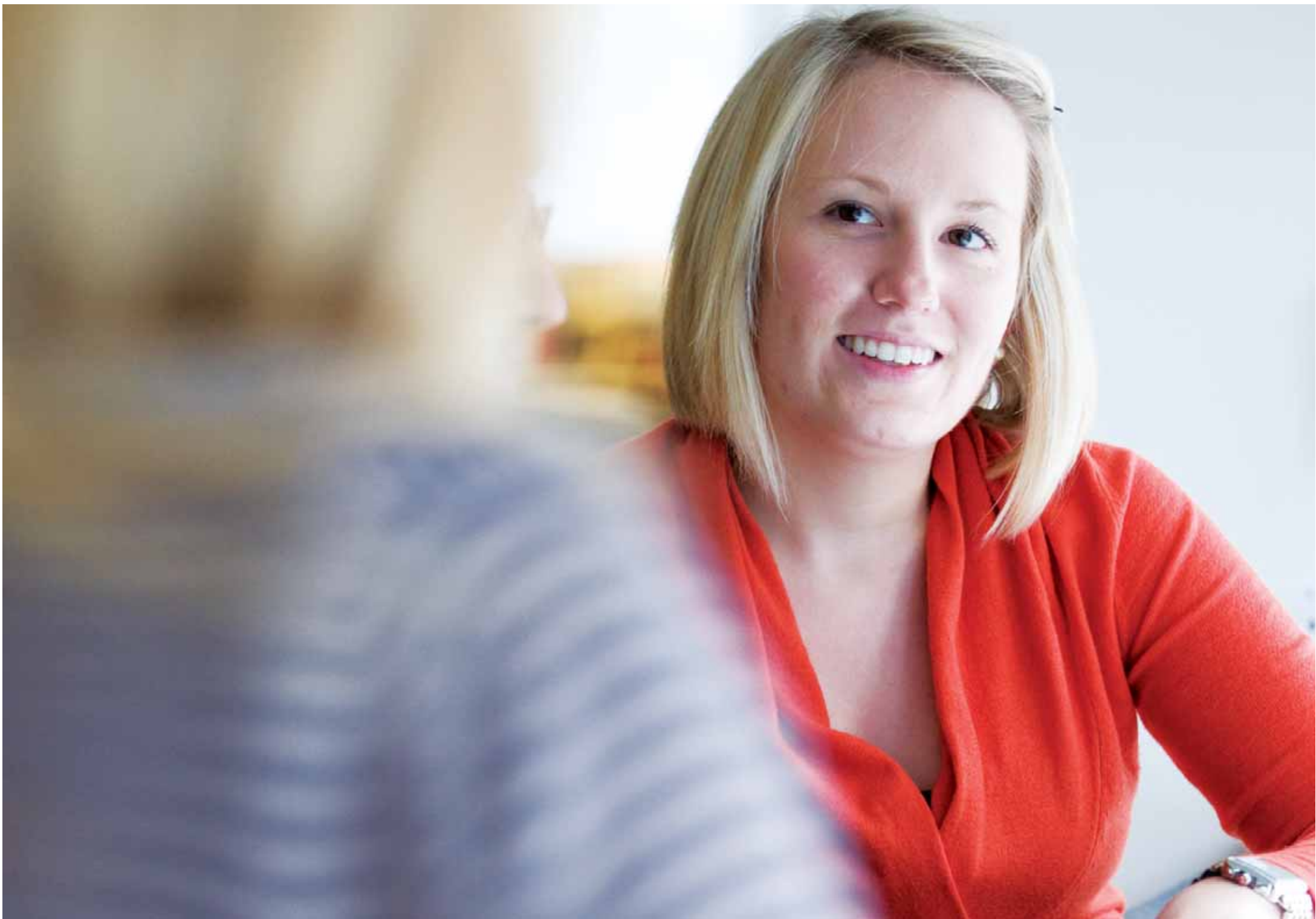
In preparing this report, PricewaterhouseCoopers has relied on the accuracy of the information provided and has not independently verified or audited this data. PricewaterhouseCoopers therefore makes no representations or warranties with respect to the accuracy of the source information supplied by participants and any consequential inaccuracies, omissions or errors.

Given the significant number of taxes impacting most companies, many survey participants reported that they found it difficult to identify the precise amount and, in some cases, number of Taxes Borne and Taxes Collected.

In many cases taxes embedded in the cost of products (e.g. excise), transaction based taxes (e.g. stamp duty) and a range of smaller State and Territory taxes were difficult for survey participants to separately identify and quantify. Where no amount has been provided by survey participants in relation to a tax, the tax has been treated as not borne or collected by that participant.

This is particularly the case for stamp duty (whether borne or collected) which proved difficult for most participants to accurately quantify. As a result, we believe the stamp duty information provided in this survey is materially understated.

Accordingly, it is likely the data presented in this survey report understates the actual amounts of Taxes Borne and Taxes Collected by survey participants.



04

Survey results: tax burden

Corporate income tax represented 65% of total Taxes Borne by the survey population. This is significantly higher than the ratio of corporate income tax to other business taxes in comparable countries.

Key points

- A company's tax burden includes not only their Taxes Borne – which the company owes to governments – but also the Taxes Collected from their customers and employees on behalf of various governments.
- A relatively small number of companies incur a large proportion of the value of all Taxes Borne and Taxes Collected.
- The survey results confirm Australia's strong reliance on corporate income tax to generate revenue: almost two-thirds of all Taxes Borne by participants was corporate income tax.
- For every dollar of Taxes Borne by survey participants, they collected from employees and customers an additional \$1.07 of taxes for government.
- A large number of taxes account for a relatively insignificant amount of tax revenue.

Total Taxes Borne and Taxes Collected

The survey results reinforce the importance of large Australian companies to government finances. The total of Taxes Borne and Taxes Collected in Australia by survey participants in 2008 was \$65,050 million.⁵ This represents 19% of total estimated taxation receipts for Federal, State and Territory governments.⁶

A summary of Taxes Borne and Taxes Collected by survey participants compared to all Australian Governments' taxation receipts is presented in Appendix D.

Taxes Borne

In 2008, survey participants incurred \$31,415 million in Australian taxes, or 9.3% of the \$339 billion total government taxation receipts.⁷

At \$20,362 million, corporate income tax represented the most significant proportion of Taxes Borne by survey participants, comprising approximately two-thirds of all corporate taxes which they reported. This corresponds to 33% of the total corporate income tax revenue paid to the Federal Government.

The other business Taxes Borne by participants, which totalled \$11,053 million in 2008, constituted approximately one third of their total Taxes Borne. In other words, for every dollar of corporate income tax paid, companies paid a further 50 cents of other business taxes. The other major business Taxes Borne by survey participants were payroll tax, excise duties, petroleum resource rent tax and gaming taxes,⁸ as shown in Figure 4.1. Together with corporate income tax, these five taxes represented almost 87% of total Taxes Borne by survey participants.

⁵ By adding Taxes Borne and Taxes Collected by survey participants, it is recognised that there is minimal overlap in relation to excise duties.

⁶ 2008 Federal Government taxation revenue was sourced from the Australian Government Final Budget Outcome 2007-08. State Governments' taxation revenue estimates were sourced from each State and Territory 2007-08 Budget or Annual Report. We were unable to source Local Government taxation revenue for 2007-08 and therefore have relied on estimates.

⁷ The Australian Treasury: Updated Economic and Fiscal Outlook, February 2009. Part 4, Fiscal Strategy and Outlook.

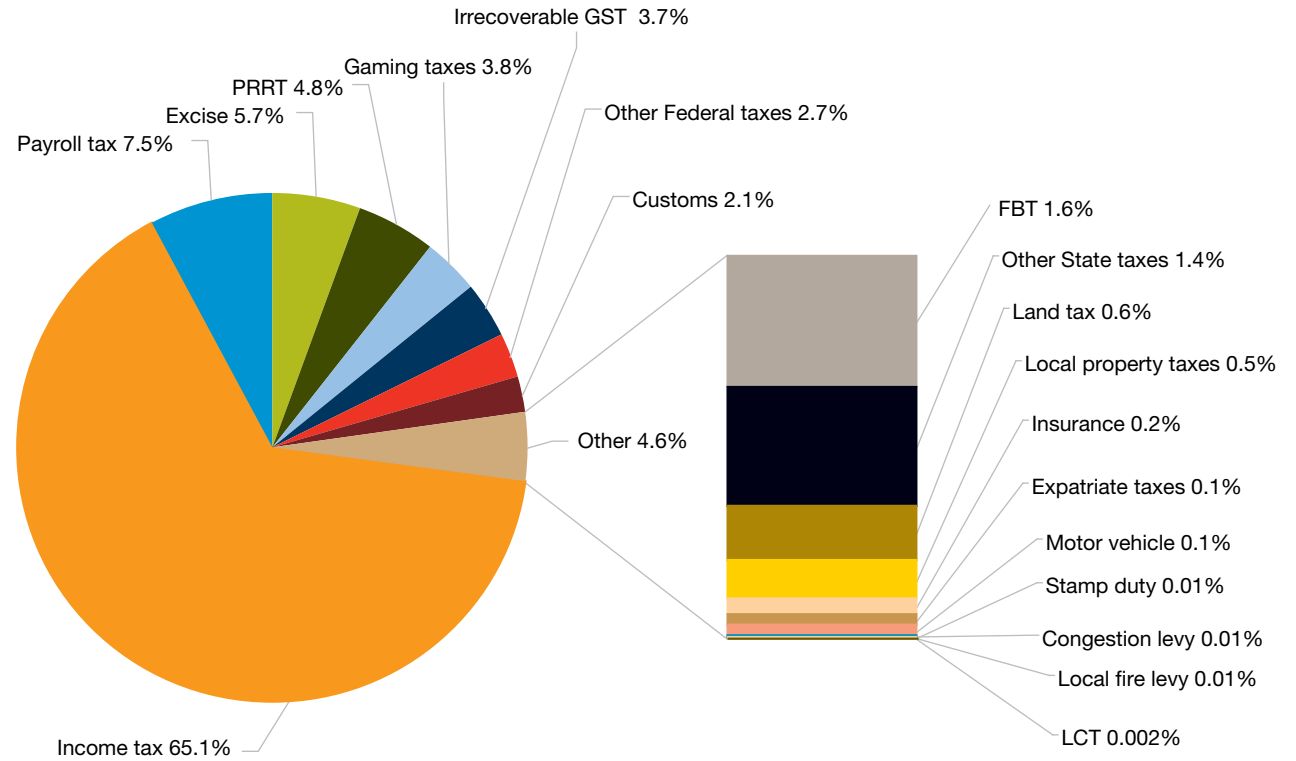
⁸ Gaming taxes include public lotteries tax, electronic machines gaming tax, racing tax, casino tax, and the Gaming Commission supervision charge.

The survey results highlight Australia’s reliance on corporate income tax for a significant portion of its taxation revenue. Corporate income tax represented 65% of total Taxes Borne by the survey population.

It should be noted that due to their legal structure, several survey participants do not bear corporate income tax at the entity level. For example, some organisations operate through partnerships and trusts, and their income tax liability is generally borne by shareholders or partners directly. In these cases, no corporate income tax is included in the results.

The survey population included a diverse range of industries from banking, insurance and property to energy and mining. As discussed in Section 7 of this report, there were significant variances in the tax contribution from key industry groups.

Figure 4.1: Taxes Borne by Survey Participant



The survey results highlight the importance of Australian business to government revenue. Figure 4.2 shows the cumulative percentage⁹ of total Taxes Borne by survey participants. As can be seen, a relatively small number of companies contribute a large proportion of the total Tax Borne by the survey population. The results show that the 10 and 20 largest taxpayers participating in the survey accounted for approximately 62% and 84% respectively of the total Taxes Borne.

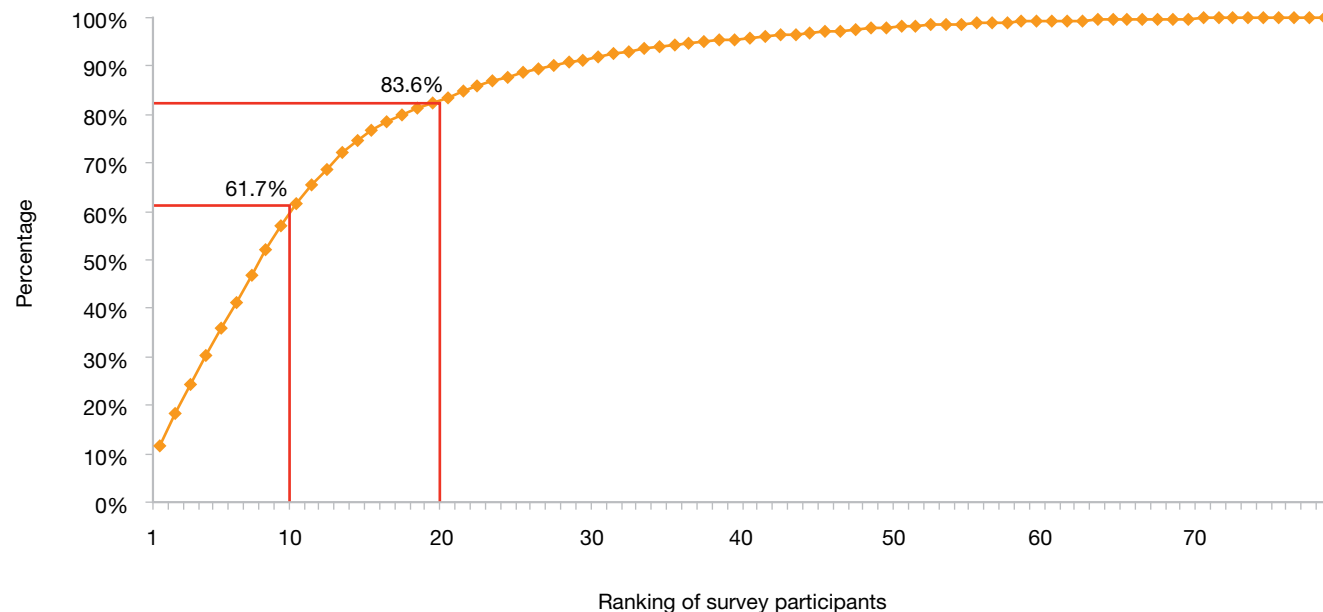
Non-tax contributions

Survey participants were asked to provide data on a number of compulsory contributions that have not been treated as a tax for the purposes of the survey. For 2008, survey participants reported:

- extraction royalties of \$2,781 million, and
- superannuation guarantee obligations of \$3,017 million.

Both these non-tax contributions have increased significantly since last year, with extraction royalties paid by mining companies increasing to 43%.

Figure 4.2: Cumulative percentage curve of Total Taxes Borne



⁹ In order to calculate the cumulative percentage, survey participants are first ranked in descending order by the value of Taxes Borne. The cumulative percentage then shows the percentage of total Taxes Borne by all survey participants for any specific number of survey participants. For example, the cumulative percentage of Taxes Borne for the first 10 survey participants shows the percentage of total Taxes Borne accounted for by the top 10 taxpayers.

Taxes Collected

In addition to Taxes Borne directly, business makes a further significant contribution to government revenue through its obligation to collect a range of taxes from customers and employees on behalf of the various governments.

- Survey participants collected taxes of \$33,635 million in 2008 on behalf of all Australian governments. This represents 9.9% of all government taxation receipts.
- For every \$1 of Taxes Borne by the survey participants, Taxes Collected were \$1.07.

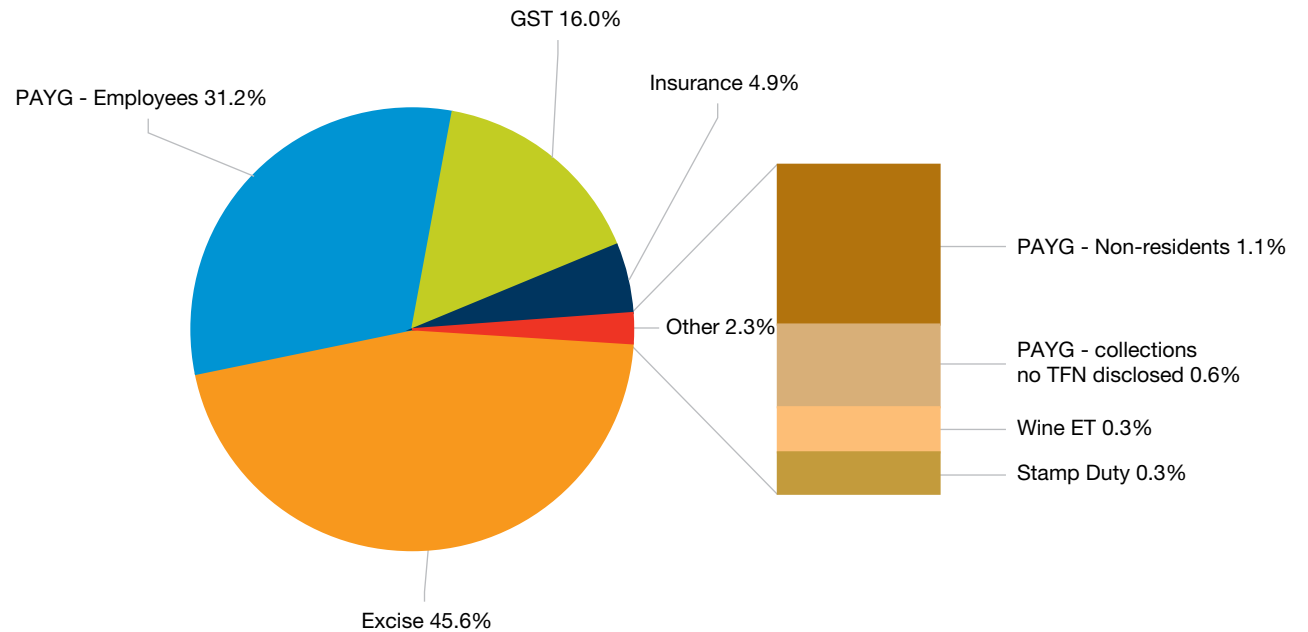
The major Taxes Collected in Australia, as identified by survey participants, were excise duties, PAYG on employees' remuneration and GST, as shown in Figure 4.3.

Excise duties collected by survey participants represented over 45% of Taxes Collected. It is notable that just eight survey participants – from excise-heavy industries such as petroleum, tobacco and liquor – collected 72% of the total estimated Australian government excise receipts.

The 2008 survey discloses GST collected of \$5,381 million which is the amount of GST that was remitted to government by survey participants. This represents gross GST collected net of GST input tax credits. Arguably, gross collections of \$25,478 million are a better representation of a business' obligation under the tax system and the risk that they assume.¹⁰

Not surprisingly, the survey participants who bore the most tax, generally, were also the largest collectors of tax.

Figure 4.3: Taxes collected by survey participants



Trend analysis: 2005 – 2008

We have used the results of the 34 companies that participated in each of the 2006, 2007 and 2008 surveys, for the purposes of trend analysis. Companies that participated in 2006 provided data for the 2005 tax year, giving us data for the analysis of the four years between 2005 and 2008.

The macro changes year-on-year are set out in Figure 4.4.

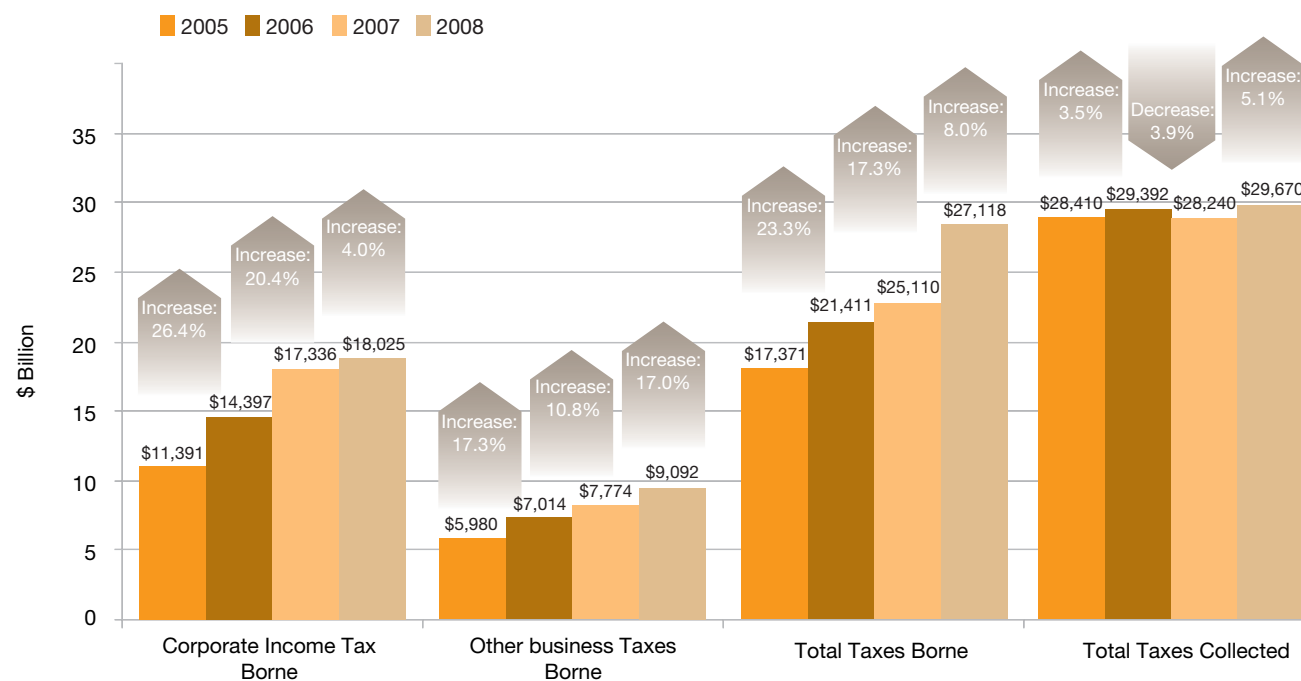
The increase in Taxes Borne of 8.0% between 2007 and 2008 has been driven by strong growth (17%) in taxes other than corporate income tax.

Importantly, the first signs of the impact of the global economic crisis can be seen in 2008, with corporate income tax payments only increasing by 4%, in a period when profit before income tax decreased 4.4%.¹¹

It is very interesting to note that over the four years, Taxes Borne by participants have increased by 56.1%. During that period, total government taxation receipts have increased by 21.8%. This indicates business has been making a disproportionate contribution to increases in government revenue during a period of strong economic growth.

Taxes collected have remained reasonably static since 2005, increasing by 5.1% between 2007 and 2008.

Figure 4.4: Trend in tax burden



¹⁰ Taxpayers have the responsibility to ensure that the full amount of GST is collected and remitted to the ATO.

¹¹ 2008 corporate income tax payments are impacted by a number of factors, notably the previous year's profits, and accordingly the tax payments lag corporate profits.

05

Survey results: tax mix

Of the total Taxes Borne and Collected, five taxes raised 87%, with the remaining 51 raising approximately 13%.

Key points

- In 2008, 56 Federal and State taxes were imposed on Australian business.
- Survey results indicated an imbalance in the Australian tax system, with 21 Federal taxes raising 90% of business tax revenue and 35 State and Territory taxes raising nearly all the remaining 10%.
- Of the total Taxes Borne and Collected by participants, five taxes raised 87%, with the remaining 51 raising 13%.
- Taxes imposed on Australian business can be grouped into five categories: profit (income) taxes (6); product (goods and services) taxes (26); people (employment) taxes (4); property taxes (11); and planet (environmental) taxes (9).
- The vast majority of revenue is raised by profit (income) taxes and various product (goods and services) taxes.

Federal/State/Local tax mix

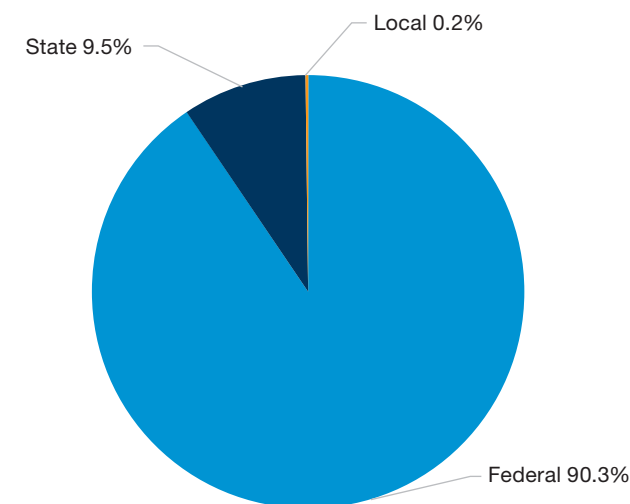
In 2008, 21 Federal Government taxes comprised 90.3% of total Taxes Borne and Taxes Collected for all levels of government as reported by survey participants. The 35 State and Territory Government taxes comprised 9.5%, while Local Government taxes comprised only 0.2% of total Taxes Borne and Taxes Collected for all levels of government.

Figure 5.1 shows the proportion of Taxes Borne and Taxes Collected for each level of government.

PricewaterhouseCoopers believes Federal taxes are reasonably accurately reported, whereas, due to reasons noted in Section 3, State, Territory and Local taxes are more difficult to identify and quantify precisely. As a result, we believe the State and Territory tax contribution to the mix is understated.

Although GST is passed on from the Federal Government to State and Territory Governments, GST is imposed by the Federal Government and has therefore been treated as a Federal tax.

Figure 5.1: Taxes Borne and Taxes Collected by level of government



Tax mix by category of tax

For the purposes of the survey the 56 Taxes Borne and/or Taxes Collected, have been grouped into the following five categories:

- **Profit (Income) taxes (6 taxes)**
Income taxes are based on profits. For example, Federal corporate income tax and petroleum resource rent tax.
- **Product (Goods and services) taxes (26 taxes)**
Goods and services taxes are imposed on goods and services at different stages within the value chain. They are typically collected and passed on to consumers as part of the cost of a good or service. For example, GST, customs duties and excise duties.
- **People (Employment) taxes (4 taxes)**
Employment taxes are imposed on or collected by the employer in relation to the employment of people. For example, PAYG, payroll tax and FBT.

- **Property taxes (11 taxes)**

Property taxes relate to the acquisition, disposal, use and ownership of land and other assets (tangible and intangible). For example, stamp duty and land tax.

In addition to the 11 State property taxes, there are two Local Government property taxes.

- **Planet (Environmental) taxes (9 taxes)**

Environmental taxes relate to the use of natural resources or the environmental impact of doing business. For example, aircraft noise levy and waste and environment levy.

There are already a significant number of different environmental taxes imposed by State and Territory Governments, and the number of such taxes continues to grow. Accordingly, we have included environmental taxes as a category even though the total tax burden is low.

The detailed allocation of taxes to these categories is provided in Appendix B. These categories and the tax classifications closely align with the classification of taxes under the Australian System of Government Finance Statistics.¹²

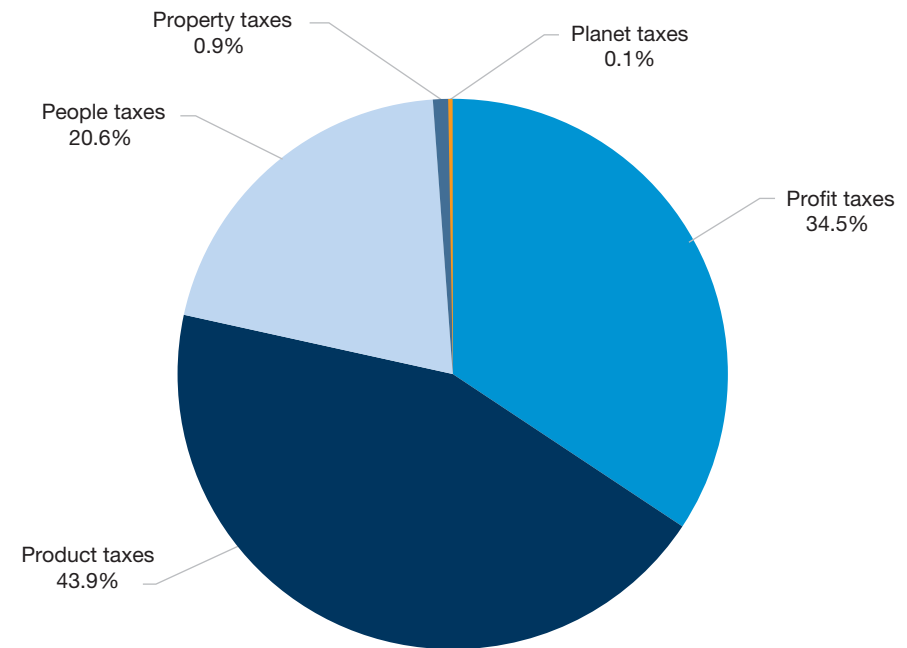


Figure 5.2 shows the proportion of Taxes Borne and Taxes Collected by different categories of taxation. While there is a significant reliance on corporate income taxes in Australia (as shown in Section 4), business makes a substantial contribution to government revenue through its role as collector of taxes.

In fact, five taxes (income tax, excise duties, PAYG on employees, GST and payroll tax) raise 87% of all Taxes Borne and Taxes Collected.

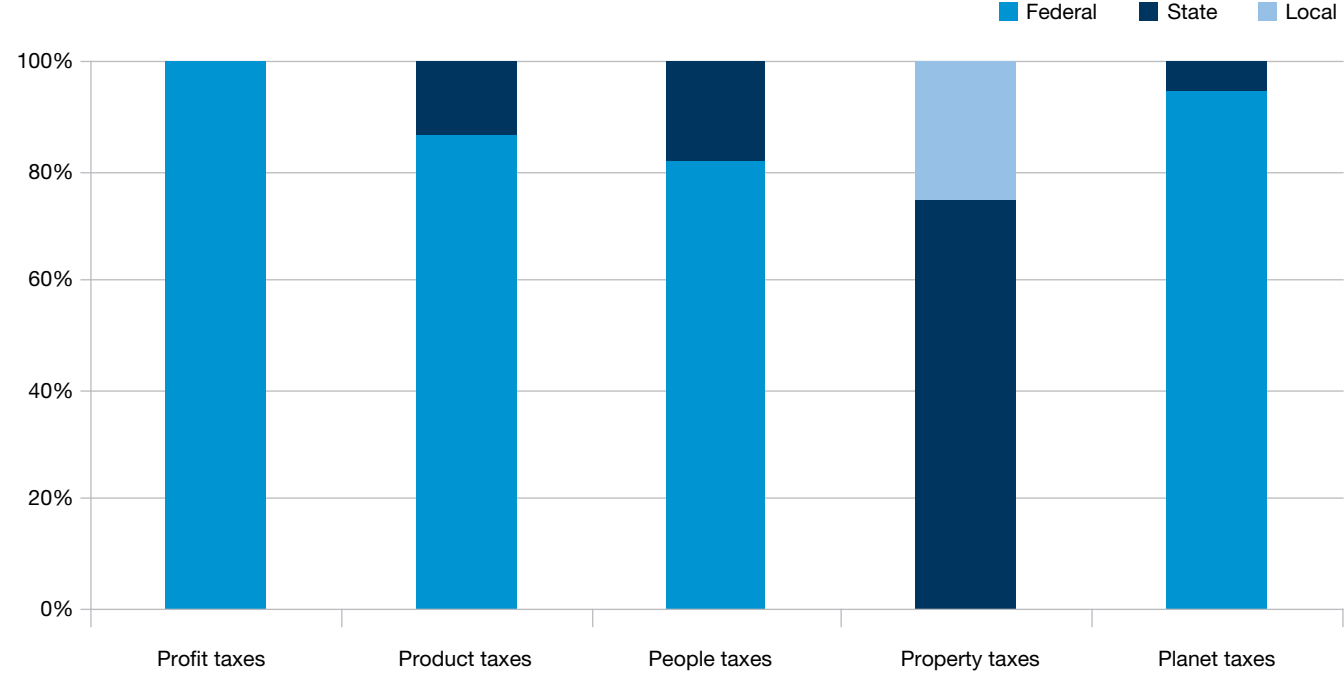
The mix of these taxation categories between the different levels of Australian government is set out in Figure 5.3.

Figure 5.2: Taxes Borne and Taxes Collected by category of tax



¹² Australian Bureau of Statistics, Australian System of Government Finance Statistics: Concepts, Sources and Methods (Cat. No. 554.0), September 2005.

Figure: 5.3: Federal, State and Local Taxes Borne and Taxes Collected by category of tax



Emanuel Hiou
Head of Group Taxation
Group Finance – Corporate Centre
National Australia Bank Limited

National Australia Bank is one of the world's top 20 banks by market capitalisation, with approximately 1,700 branches in Australia, banking franchises in New Zealand, UK and US and assets of over A\$500 billion. Emanuel Hiou is the head of group taxation.

"I think one of the main challenges is our approach to tax risk management and that will remain a focus throughout the current global financial crisis," says Hiou. "We have to ensure that we have a framework in place that allows us to manage our tax risks in a simple and more certain way."

According to Hiou, income tax, GST, payroll tax and fringe benefits tax account for more than 95 per cent of the taxes paid by the bank. The myriad of other smaller taxes that NAB pays or is responsible for collecting generate little revenue to governments at different levels, but represent a significant compliance burden for the bank.

"The direct costs of complying with the tax system are accrued within the tax team, which has primary responsibility for tax compliance," he adds. "But then there are the indirect costs within business, finance, HR, and payroll groups, which incur costs in assisting and supporting the management of our tax compliance requirements."

According to Hiou, some of these costs are not easily identified or recognised in company tax compliance costs. Neither are external consulting costs, which are transaction specific and are normally picked up by the transaction sponsors. In addition, Hiou points out that the company is burdened by the obligation to provide large amounts of supplementary business and financial information as part of the tax compliance reporting system.

"We are required to complete and lodge various tax reports and statements where some of the information is required for statistical purposes, rather than the calculation of tax liabilities," says Hiou. "In some cases, our systems are not designed or structured to produce that sort of information. On occasions we have to create manual processes specifically to extract that information from our internal reporting systems."



06

Survey results: the picture for individual participants

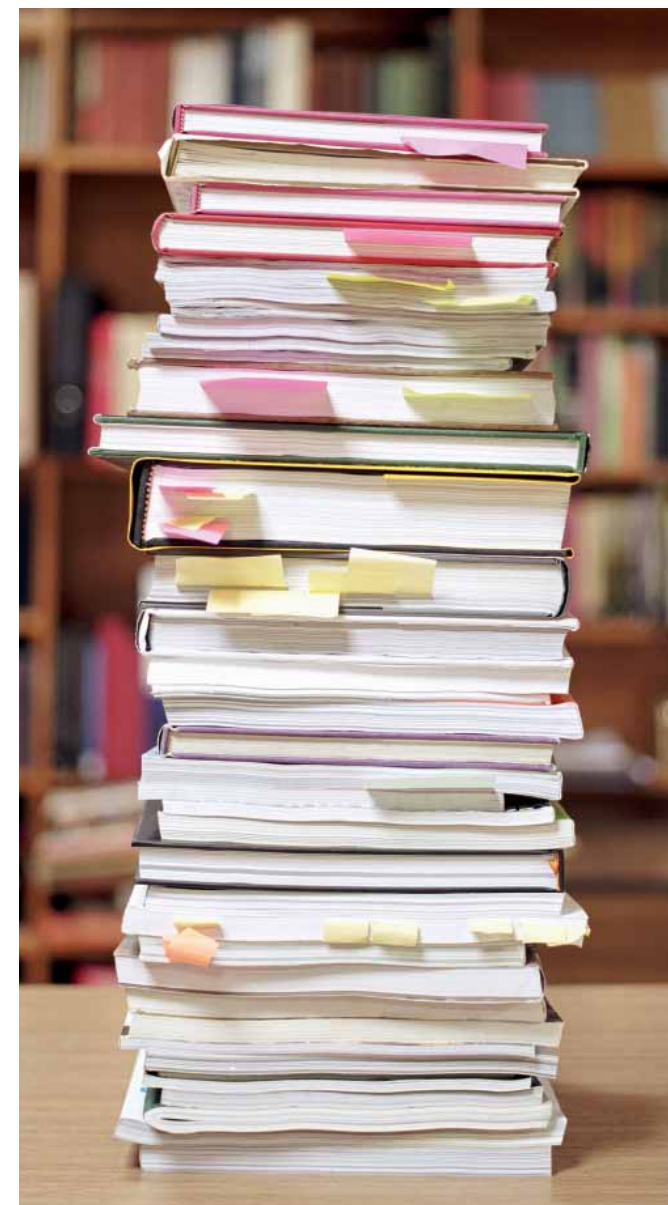
The Total Tax Rate measure shows that, on average,
for every \$3 of profit made by the survey participants,
\$1 was paid in tax.

Key points

- Taxes Borne by survey participants represented 34% of profit before all business taxes.
- Taxes Borne and Taxes Collected represented 12% of participant companies' turnover.
- Employment taxes (Borne and Collected) per employee averaged \$31,290 for survey respondents.
- The number of taxing points identified by survey participants range up to 67, with the average being 24.

The Total Tax Contribution methodology is designed to examine the impact of tax on business. In addition to data on Taxes Borne and Taxes Collected, survey participants were asked to provide information to indicate the size of their Australian business in order to put their tax payments into context and assist benchmarking. We used this information to calculate the following:

- Total Tax Rate (TTR)
- Taxes Borne and Taxes Collected as a percentage of turnover and
- Employment taxes per employee.



Total Tax Rate (TTR)

The TTR is all business Taxes Borne as a percentage of profits before all tax. The median¹³ TTR for survey participants was 33.8% in 2008; an increase from 2007, when it was 33.1%. We do not consider this to be a significant result or indicative of any change in the underlying business tax impost. Rather, the increase is a likely reflection on the different population of respondents.

It is worth noting for benchmarking purposes that, if the stapled company trust structures and partnerships are excluded from the population, the median TTR increases to 34.3%.

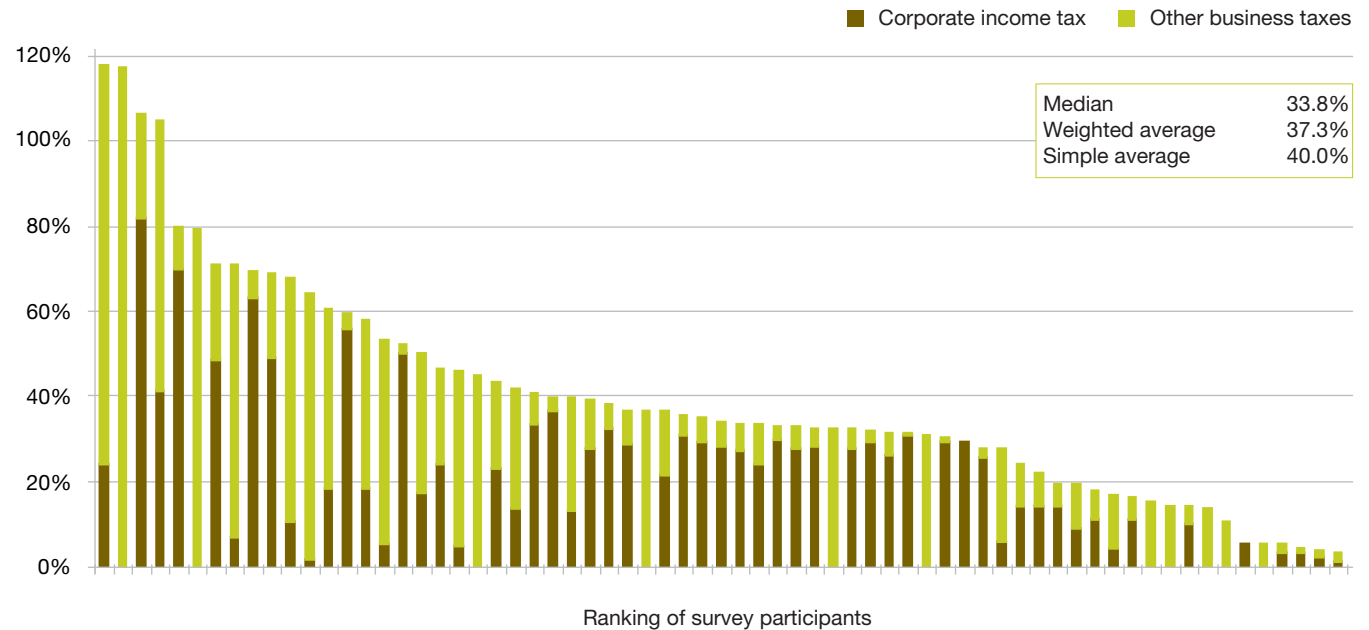
The TTR measure shows that, on average, for every \$3 of profit made by the survey participants, \$1 was paid in tax. Figure 6.1 shows the individual TTR for each of the survey participants.

Another way of looking at this is that Australian business' 'tax freedom day' is at the end of April each year – the first four months of each year it finances government and only in May does business start to provide a return to shareholders.

There is no apparent pattern across survey participants and the TTR varies substantially from company to company. The TTR is impacted by two key factors:

- the profitability of the business and
- the extent to which the business is subject to taxes irrespective of profitability.

Figure 6.1: Total Tax Rate for survey participants¹⁴



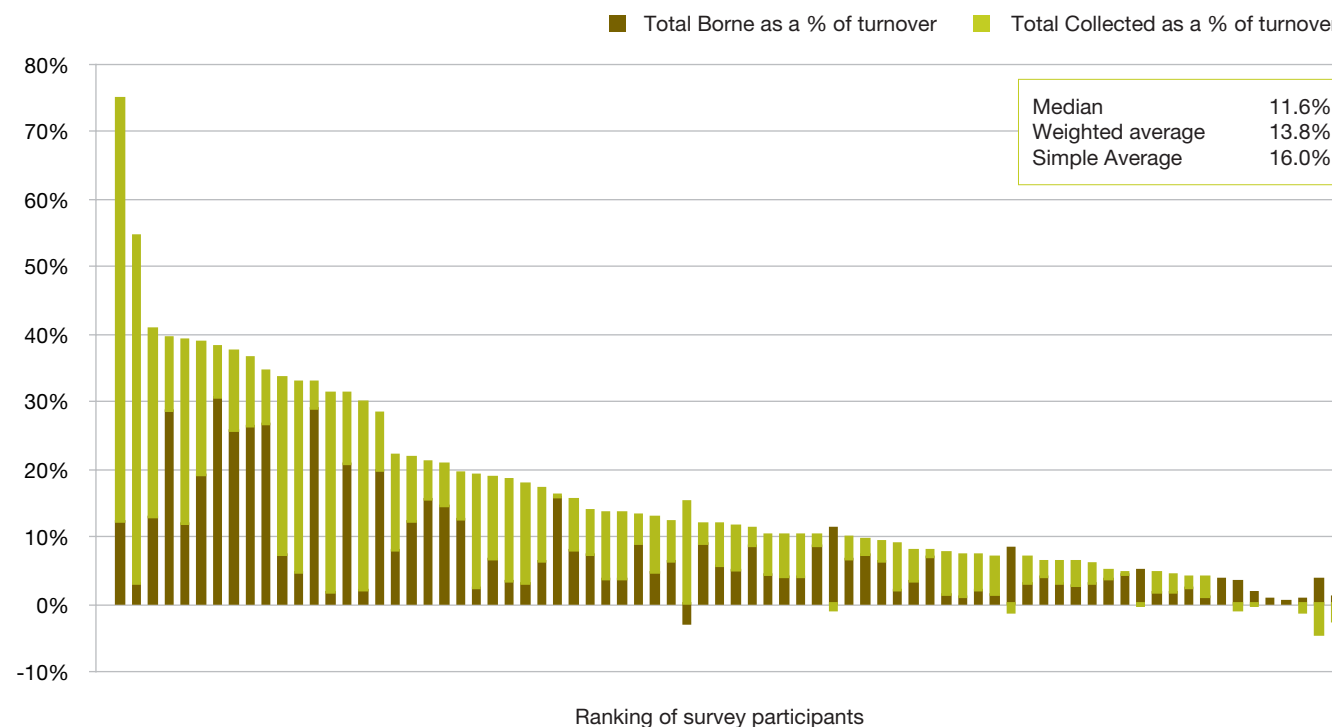
Taxes Borne and Taxes Collected as a percentage of turnover

Taxes Borne and Taxes Collected as a percentage of turnover is a useful measure of what a company contributes to government tax receipts, with respect to their size as measured by turnover.

The median of total taxes as a percentage of turnover of the survey participants was 11.6%. Figure 6.2 shows the range of total Taxes Borne and Taxes Collected across survey participants.

A number of companies show negative Taxes Collected because, as major exporters, they receive a GST refund that more than offset other Taxes Collected.

Figure 6.2: Total Taxes Borne and Taxes Collected as a percentage of turnover by participant¹⁵



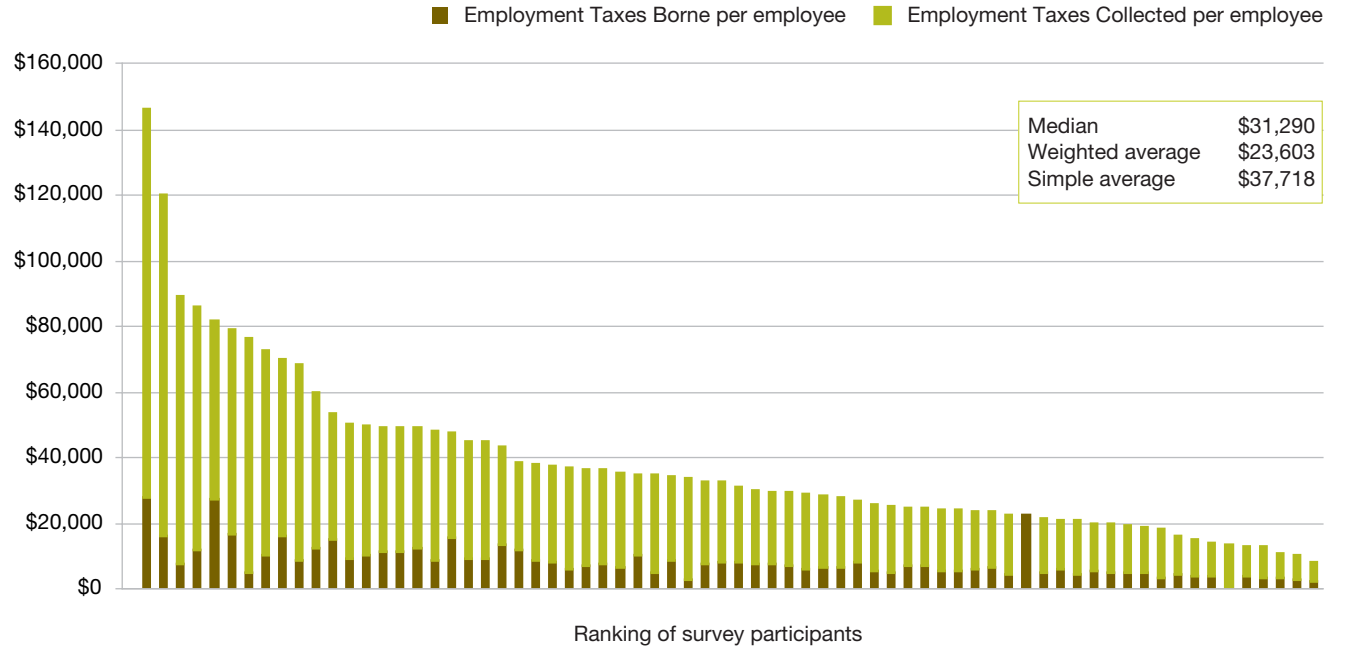
13 The median is the middle value of data ordered from lowest to highest (i.e. the middle observation).
 14 The weighted average excludes survey participants who did not provide profit before tax.
 15 Figure 6.2 excludes survey participants who did not report turnover.

Employment taxes per employee

The final measure is employment Taxes Borne and Taxes Collected per employee. Survey participants reported a median of employment taxes per employee of \$31,290, shown in Figure 6.3.

This has increased significantly from 2007, when the median was \$25,485.

Figure 6.3: Employment Taxes Borne and Taxes Collected per employee¹⁶



Tax obligations

The survey identified a wide range of taxes across Federal, State and Territory Governments which translate to a significant number of separate ‘taxing points’ for Australian businesses. A number of State taxes are imposed by many, if not all, States and Territories and each of these is treated as an individual taxing point. Stamp duties, payroll tax and land tax are the main examples.

An Australian business that operates across several States and Territories must comply with a large number of taxes. The total number of potential taxing points is approximately 170.

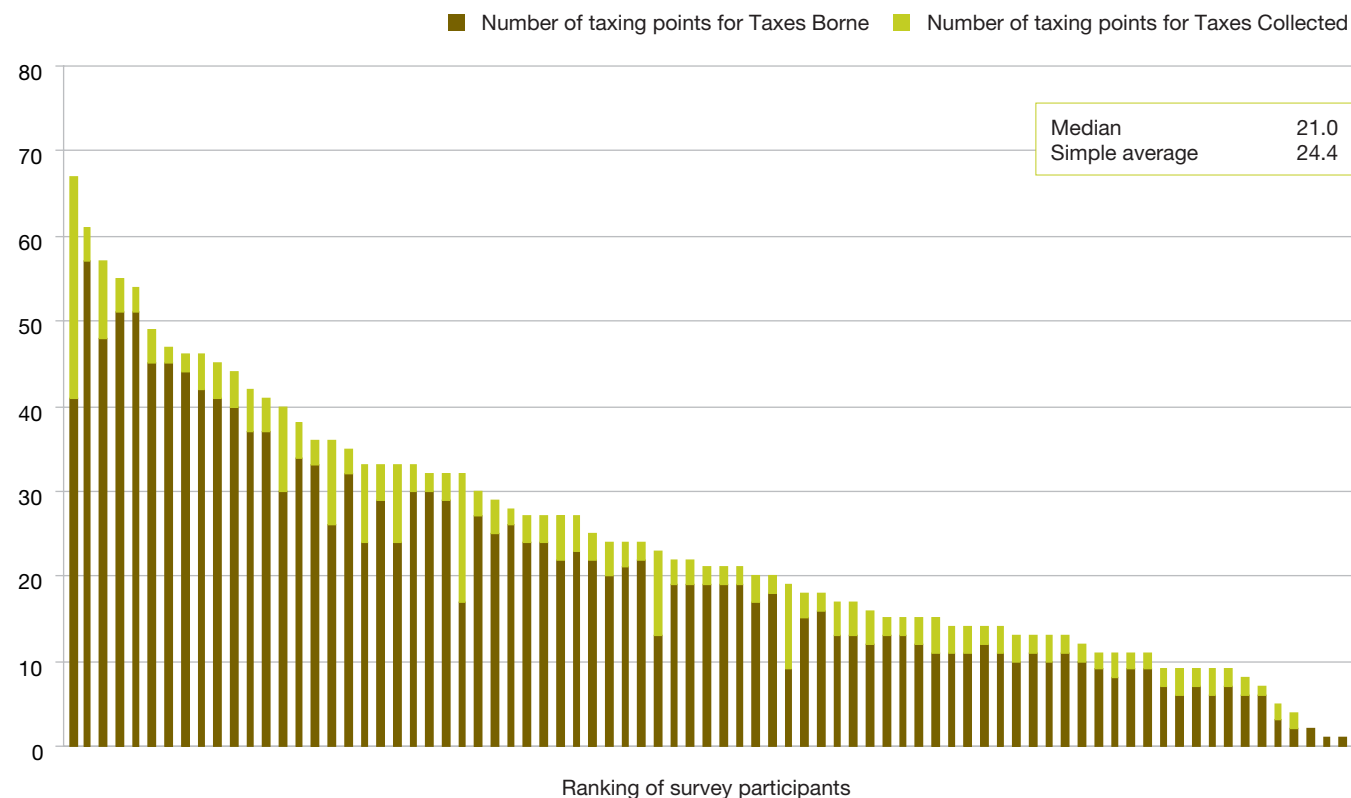
The number of taxing points identified by survey participants range up to 67, with the average number of taxing points per participant across all States and Territories being 24. Due to the difficulties that survey participants experienced in identifying a range of State taxes, we believe the number of taxing points is materially understated.

Figure 6.4 shows how the number of taxing points varies between survey participants.

The survey results indicate that a large number of taxes collect a relatively insignificant amount of tax revenue. Nonetheless, these taxes impose a significant compliance burden on businesses.

The average number of Federal taxing points for Taxes Borne and Taxes Collected in 2008 was six and the average number of State and Territory taxing points was 18. This is not surprising but highlights a problem given State and Territory taxes comprised only 10% of total taxes for survey participants.

Figure 6.4: Number of taxing points for Taxes Borne and Taxes Collected



16 Figure 6.3 excludes survey participants who did not report people Taxes Collected and/or the number of employees.

07

Survey results: an industry perspective

Not only does the amount of certain Taxes Borne differ markedly between industries, but collection obligations often apply selectively to certain sectors.

Key points

- The impact of Australia's tax system varies significantly between different industries. Not only does the amount of certain Taxes Borne differ markedly between industries, but collection obligations often apply selectively to certain sectors.
- There is very heavy reliance on the banking and mining sectors for government revenue.

The 79 participants represented a cross-section of Australian industries. To provide an industry perspective on the survey results, participants have been grouped into the 12 industries shown in Table 7.1. Industry groups have only been included when there are more than four participants in a sector.

Some participants operate in more than one industry, and in these cases companies have been allocated to their most dominant industry.¹⁷

The importance of the banking and mining industries to the Australian economy is highly apparent. These two industries contribute almost half of all Taxes Borne by survey participants. In fact, they represent almost 18% of total government corporate income tax receipts.

More than half (58%) of total Taxes Collected by participants were by the oil, gas and energy industry.

Table 7.1: Industry profile of survey participants

Industry Group
Banking (6)
Commercial services ¹⁸ (4)
Diversified financials ¹⁹ (11)
Gaming (3)
Insurance (6)
Materials (7)
Mining (8)
Oil, gas and energy ²⁰ (10)
Real estate and construction (6)
Retail (4)
Transportation (4)
Other (10)

¹⁷ Based on ASX classifications (if listed) or Global Industry Classification Standard (GICS) guidelines.

¹⁸ Commercial services includes commercial, industrial and professional services.

¹⁹ Diversified financial services includes participants either specialising in either consumer finance or investment banking.

²⁰ Oil and gas includes participants engaged in drilling, refining, marketing, distributing etc, of oil, gas, coal and/or consumable fuels.

Total Tax Rate (TTR)

The TTR is all business Taxes Borne as a percentage of profits before all tax. The wide range of TTRs reported by survey participants is reflected in the differing TTRs of the survey industry groups. Figure 7.1 shows TTR and the mix of corporate income tax and other business taxes (Taxes Borne) by industry.

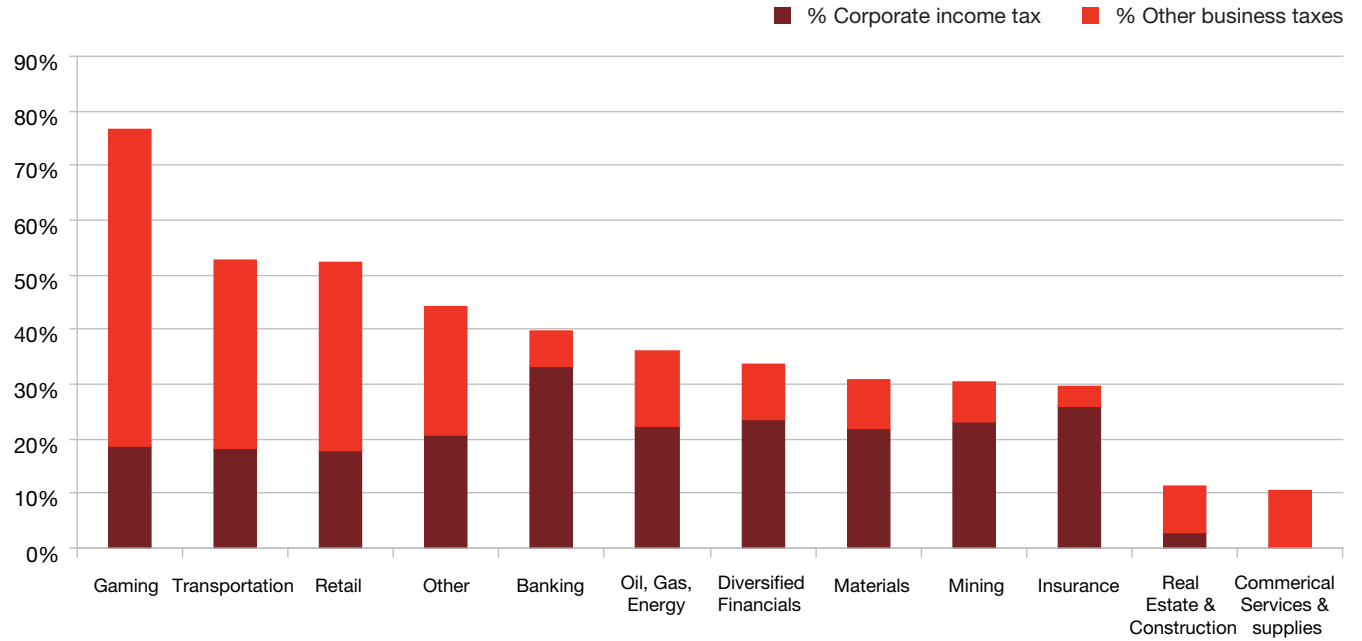
The significant difference in other business Taxes Borne by the oil and gas and mining industry groups is partly explained by the different treatment of petroleum resource rent tax (\$1,513 million total amount borne by survey respondents) and extraction royalties (\$2,781 million).

Under the Total Tax Contribution framework, petroleum resource rent tax is included as a tax whereas extraction royalties are not treated as a tax (refer Appendix A).

The real estate industry and commercial services industries show a relatively low TTR. This can be attributed to a number of the survey participants in this industry not being subject to corporate income tax, with income tax liabilities flowing through to investors.

The impact of gaming taxes on the gaming industry explains its much higher TTR. The gaming industries TTR is 25% higher than any other sector.

Figure 7.1: Total Tax Rate by industry of mix of income and other business taxes



Taxes Borne and Taxes Collected as a percentage of turnover

As discussed, Taxes Borne and Taxes Collected as a percentage of turnover measures contributions to government tax receipts. The median of total taxes to turnover of the survey participants was 11.6%. Figure 7.2 shows the range of total Taxes Borne and Taxes Collected consolidated by industry.

The ratio of Taxes Borne and Collected to turnover was noticeably high in the oil, gas and energy grouping principally because of significant excise collections.

Taxes collected are negative for the mining industry group because, as major exporters, survey participants reported a significant GST refund which more than offset other Taxes Collected.

Figure 7.2: Taxes Borne and Taxes Collected to turnover by industry

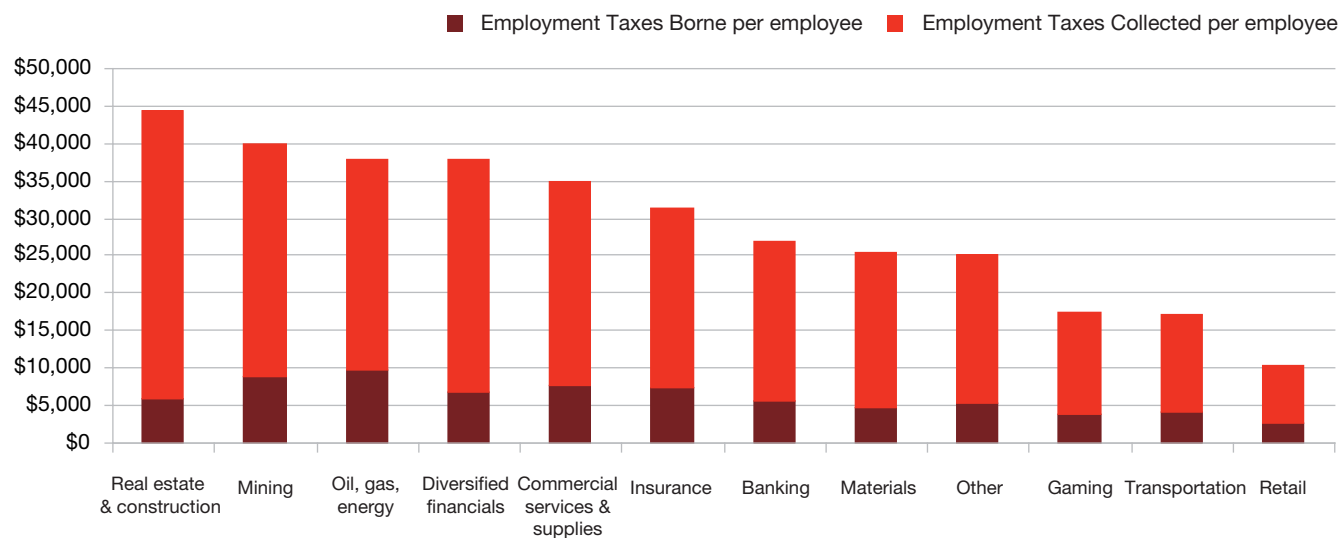


Employment taxes per employee

For employment Taxes Borne and Taxes Collected per employee, the consolidated industry results are shown in Figure 7.3.

There are quite significant differences in the amount of employment taxes between industries. These differences are much more pronounced in relation to Taxes Collected, reflecting the differing average employee remuneration between industries.

Figure 7.3: Employment Taxes Borne and Taxes Collected per employee by industry





08

Survey results: tax compliance costs

The cost of compliance is akin to an additional tax – a ‘compliance surtax’ – the impact of which is greater on smaller business.

Key points

- Tax compliance costs are akin to an additional tax – a ‘compliance surtax’.
- The median compliance surtax for participant companies was 1.2%. Importantly, there is a very clear inverse relationship between the amount of this compliance surtax and company size: the smaller the company, the greater the relative cost of tax compliance.
- Of all taxes, Fringe Benefits Tax (FBT) imposes the greatest compliance burden. For every \$100 of FBT paid to the Government, business incurs an additional \$5 in meeting its FBT obligations.
- The total tax compliance costs incurred by 64 respondents was estimated to be \$145.2 million, with an average cost of \$2.3 million per company.
- Tax functions spend 42% of their time and some 64% of external costs on administering corporate income tax, despite it representing only 31% of total Taxes Borne and Collected.
- Other business taxes that collect a modest amount of revenue still consume significant compliance time and costs.

Tax compliance costs

‘Total tax compliance cost’ measures the cost of complying with all Australian governments’ tax laws. It is based on the time and cost of undertaking any activities relating to the need to lodge returns, make payments to the ATO or a State Revenue Office, and seeking advice on the application of the law.

Survey participants were asked to provide an estimate of both time spent and external costs incurred in relation to complying with all tax obligations. Data was requested in respect of time spent – measured in ‘person days’ – by internal tax specialist resources (referred to as the internal tax function) and time spent complying with tax obligations by other accounting and finance resources (referred to as the shadow tax function).

Of the survey’s 79 participants, 64 provided responses to the questions on total tax compliance time and costs. An estimated cost of employment (including salary and on-costs) was applied to the time spent in people days to estimate the cost of the internal tax function and shadow tax function of each respondent.²¹

The majority of time and costs incurred by respondents related to corporate income tax, and goods and services taxes. However, other business taxes still consumed a significant amount of time and cost.

Tax functions

When analysing the cost of tax compliance, it is necessary to distinguish between the different departments and organisations which help fulfil the compliance process. This report uses the following terminology:

1. Internal tax function – the in-house staff (or department) who are directly responsible for ensuring that the company is tax-compliant.
2. Shadow tax function – the in-house staff who are not directly responsible for compliance, but who are necessary to the successful execution of tax compliance.
3. External resources – professional services personnel who are contracted to assist in ensuring the company is tax-compliant, as well as preparing reports and completing official documentation.

²¹ The cost per day of the tax function and shadow tax function was estimated using average salaries plus on-costs for a representative group of tax and finance resources. This produced a figure of \$1,217 per working day for the tax function (typically more senior resources) and \$680 per day for other resources.

Compliance surtax

The cost of complying with the Australian tax system is an additional cost borne by business. Not only does business incur taxes which are paid to the government, business also incurs the cost of complying with the system, or a “compliance surtax”.

“This system complexity acts like an additional tax, but the worst kind of tax: a tax that provides no revenue, is indiscriminate in whom it affects and serves little social value. So why do we have it?”

Dr Ken Henry, Secretary to the Treasury, Chair Australia’s Future Tax System Review Panel.²²

The median cost of complying with the Australian tax system is equivalent in amount to a 1.2% surtax on the taxes that business bears. We have also been able to calculate the compliance surtax on specific taxes, namely corporate income tax, payroll tax and fringe benefits tax (FBT). The median and average compliance surtaxes are set out in Figure 8.1.

Figure 8.1 Compliance surtax

	Average	Median
Income tax	1.6%	0.9%
Payroll tax	0.7%	0.2%
FBT	7.6%	4.8%
Overall	2.9%	1.2%

Not surprisingly, given the anecdotal evidence provided by business over many years, the heaviest compliance surtax incurred by business in Australia relates to FBT. For the median company in the survey, the cost of complying with the FBT regime is equivalent to a surtax of almost 5%. By comparison, the surtax arising in relation to income tax or payroll tax is less than 1%. The cost of collecting FBT reflects the complexity of the FBT regime in Australia.



Disproportionate compliance burden on smaller business

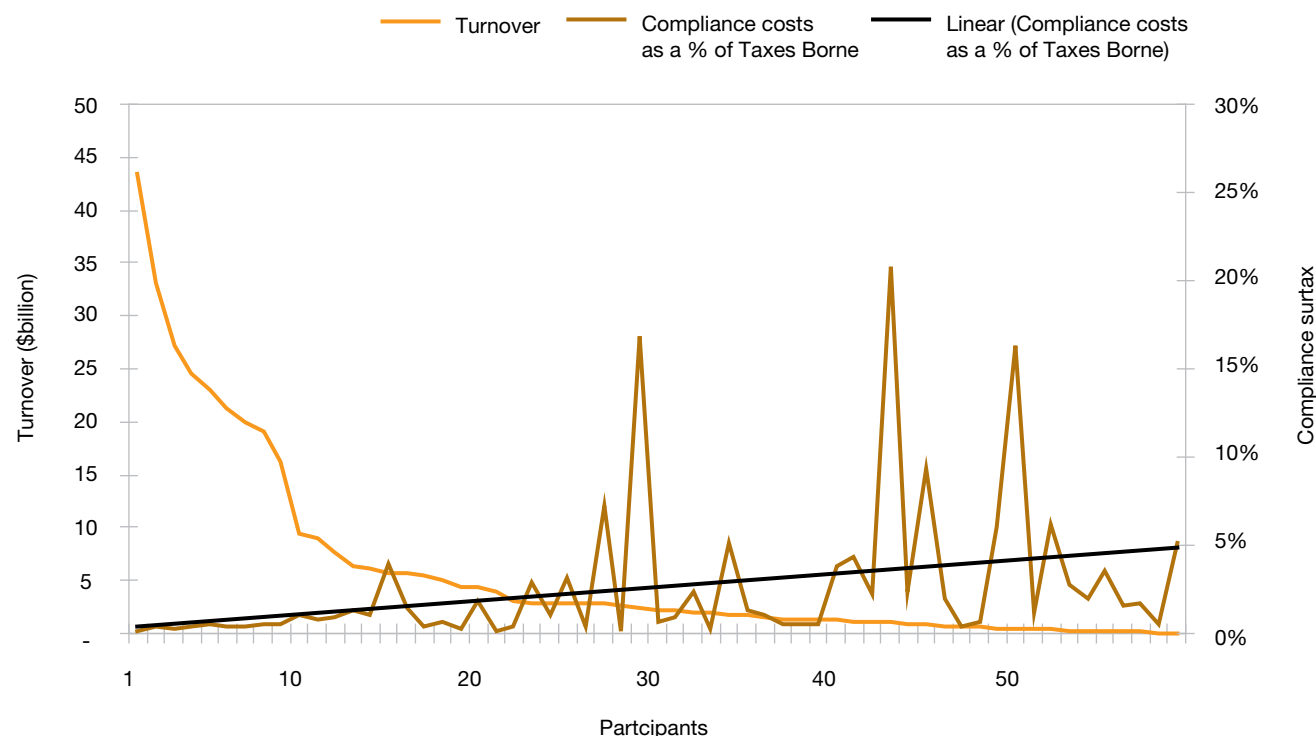
The survey shows that there is an inverse correlation between the size of business and the relative cost of the compliance surtax. In general, the larger the business (measured by turnover), the lower the compliance surtax.

Figure 8.2 sequences the survey respondents by turnover. The right-hand vertical axis indicates the cost of compliance as a percentage of Taxes Borne. There is an unambiguous inverse correlation between the size of the company (by turnover) and the compliance surtax.

This observation is reinforced by analysis of the responses of companies if they are grouped by turnover.²³ On average, the compliance surtax for companies with turnover in excess of \$5 billion is 0.5%. The compliance surtax doubles for businesses with turnover between \$1 billion and \$5 billion to 1.1%. Finally, for companies with turnover of less than \$1 billion, the compliance surtax more than doubles again, to 2.4%.

The survey results are particularly concerning given the observations about the cost of compliance with Australia's taxation system on the respondents to this survey, generally larger business. Perhaps even more concerning is that the compliance costs being incurred by even smaller businesses are almost certainly relatively more onerous.

Figure 8.2: Company turnover and compliance surtax



²² Speech to National Press Club, Canberra 12 November 2008.

²³ The population was grouped into three broadly even groups according to reported turnover: 25 companies reported turnover that exceeded \$5 billion; 30 companies reported turnover of between \$1 billion and \$5 billion; and 22 companies reported turnover below \$1 billion. Not all companies reported turnover and therefore have been excluded from this analysis.

Total tax compliance costs

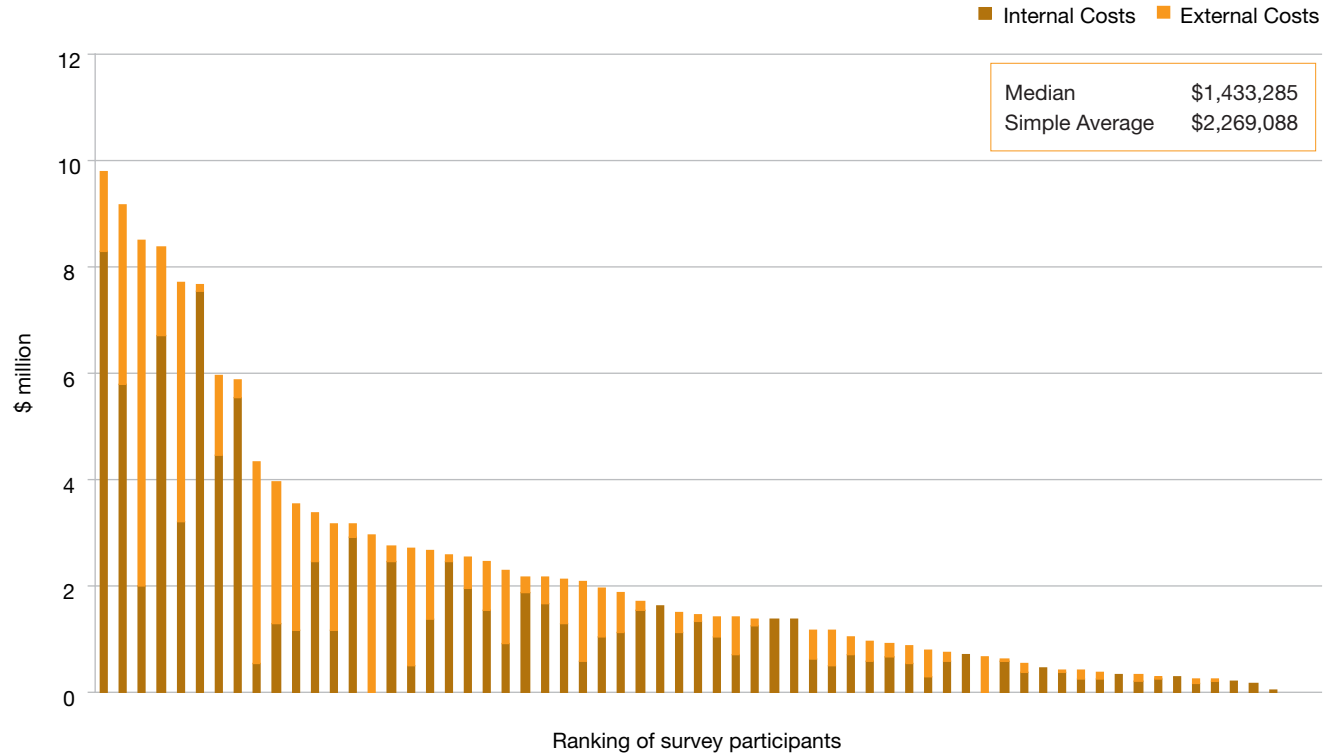
The total tax compliance costs incurred by the 64 respondents – including the cost of internal resources and external costs – were estimated at \$145.2 million, with an average cost of almost \$2.3 million. The total internal costs comprised 70% of total compliance costs. The range of compliance costs reported by survey participants is shown in Figure 8.3.

Eight of Australia’s larger companies incur costs in excess of \$5 million annually complying with their tax obligations.

In addition to the cost of employing people, companies incur costs associated with external service providers and other external costs in relation to:

- the implementation and maintenance of tax accounting
- systems to record and report on various taxes
- staff training and
- maintaining information sources on tax law.

Figure 8.3: Total tax compliance costs



Compliance costs: tax mix

Survey participants were asked to provide an estimate of the mix of time spent and external costs incurred when complying with each of the main categories of Taxes Borne and Collected.

Figure 8.4 on page 48 shows these results in four charts:

- the cost of the tax function measured in people days
- the cost of the shadow function measured in people days
- total external costs, and
- total estimated compliance costs.

A summary of the mix of total Taxes Borne and Taxes Collected is also shown for comparison purposes.

The estimated time spent by the in-house tax function on compliance with profit taxes (which is predominantly corporate income tax) is 51% of total time. This is significantly higher than the proportion of profit taxes to total Taxes Borne and Collected, which is 34%.

We consider this disparity reflects the complexity of the corporate income tax system relative to other taxes. The proportion of external costs incurred in relation to corporate income tax emphasises this even more strongly, with approximately 64% of external costs estimated to be incurred in connection with corporate income tax.

In contrast, the estimated time spent by the in-house tax function and the shadow tax function complying with a range of product taxes is, at 33%, significantly less than the proportion of total product taxes to total Taxes Borne and Collected, which is 44%.

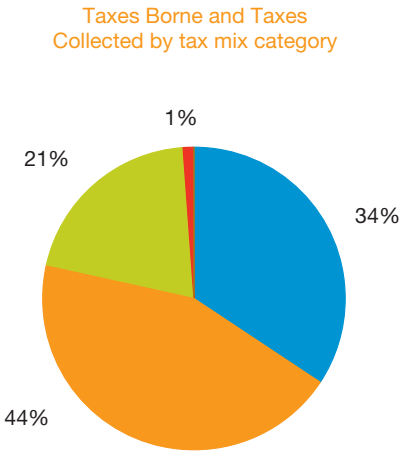
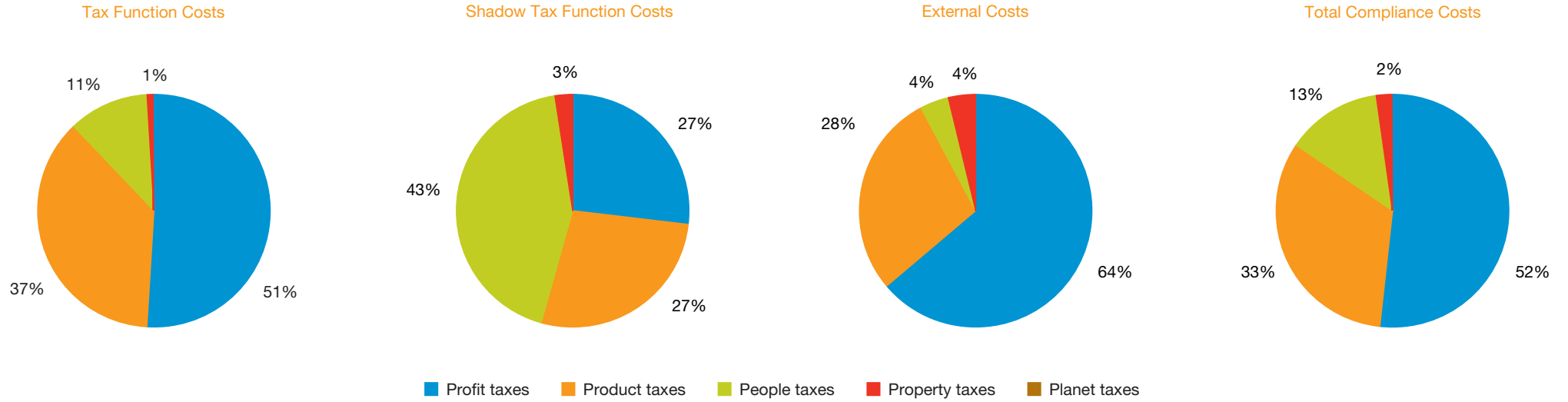
The lower cost of complying with product taxes likely reflects the fact that GST calculations are generally system-based. In addition, much of the cost of complying with these taxes, including GST and customs and excise duties, tends to be embedded within the business and its information systems, and is therefore difficult to quantify.

Companies bear the cost of tax compliance in different ways depending on their structure, resources and use of external service providers. The mix of time spent by the shadow tax function is substantially different to the in-house tax function, demonstrating how the management of business taxes is allocated between the business units and other corporate functions.

Of all of the different categories of taxes, the shadow tax function spends a significant amount of time (43% in total) on a range of employment-related (people) taxes, including PAYG withholdings, FBT and payroll tax. A significant part of this time is probably accounted for by human resource departments.

The majority of total time and cost expended in tax compliance is incurred in relation to corporate income tax, and product taxes. However, other business taxes still consume a significant amount of resources. Respondents felt that the compliance regimes applying in respect of certain taxes resulted in a disproportionate amount of time and cost. Respondents cited compliance with FBT and different State regimes for applying payroll tax and stamp duties as particular examples.

Figure 8.4: Total tax compliance costs – the tax mix



Compliance costs: activity mix

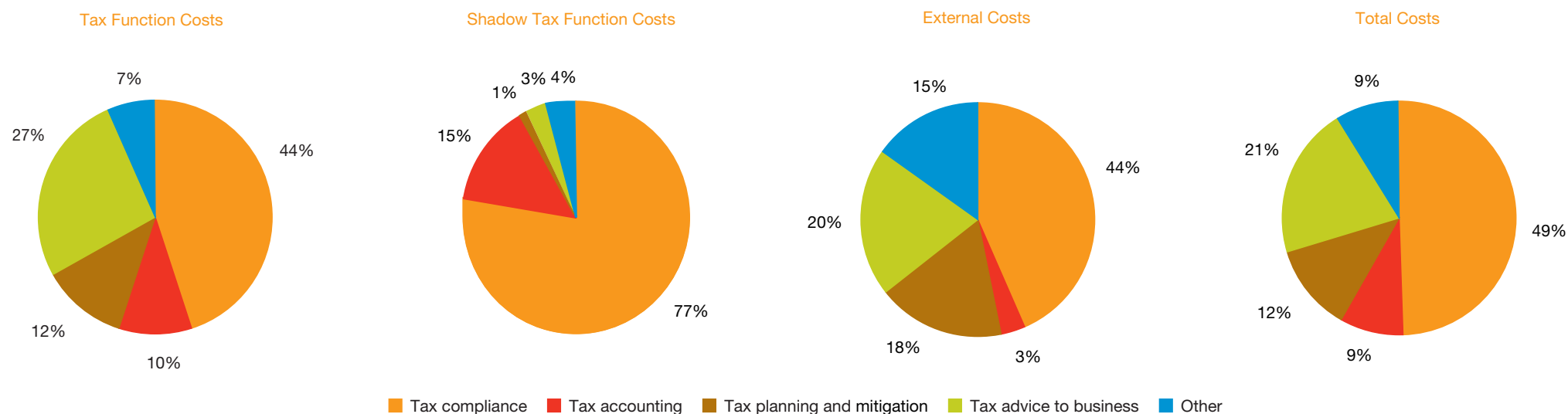
For the first time, participants were asked to estimate how tax resources spent their time between various types of tax management activities, namely:

- tax compliance activities
- tax accounting activities
- tax planning and mitigation and
- tax advice to the business.

Figure 8.5 shows how these activities vary between the tax function, shadow tax function and external consultants.

Participants reported that by far the largest portion of their tax resources are dedicated to tax compliance activities (49%). When coupled with tax accounting, the average respondent dedicates 58% of their tax resources to meeting regulatory obligations. Interestingly a very significant proportion of these compliance and accounting responsibilities are undertaken by shadow tax functions.

Figure 8.5: Total Tax Compliance Costs – the activity mix



In-house tax resources

Survey respondents were asked to report the number of employees required to comply with all tax obligations in terms of 'full-time equivalents'. These numbers do not include other non-tax specialist resources – the shadow tax function. Companies also employ the assistance of external service providers to supplement in-house resources in meeting their tax obligations.

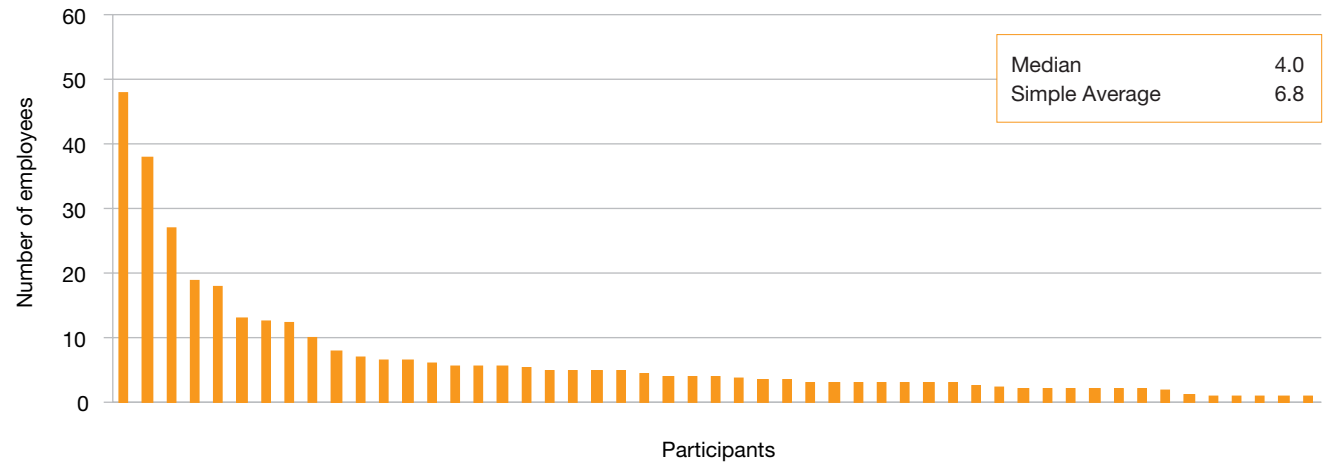
Of the 51 respondents to this section of the survey, results showed the average number of in-house tax function employees was seven. The range of responses from survey participants to the number of tax function employees is shown in Figure 8.6.

The number of full-time equivalent tax compliance employees, and the size of the shadow tax function, vary significantly according to factors such as:

- the size of the company, turnover and number of legal entities
- the nature of the business and industry (certain industries have more complex tax compliance requirements)
- the amount of Taxes Borne and Taxes Collected and
- the extent of the use of external service providers.

The survey responses indicated there was no consistent relationship between the size of companies (for example, based on turnover or taxes paid) and the number of full-time equivalent tax compliance employees.

Figure 8.6: In-house tax function resources



Stephen Green
Group General Manager, Taxation
Australia and New Zealand Banking Group Limited

Headquartered in Melbourne, ANZ is one of the 10 largest companies in Australia. The group has 35,000 staff globally and assets of over A\$400 billion. Its global tax team comprises more than 50 people, most of which are located in Australia and New Zealand. The team is responsible for compliance, advice, strategy, policy and risk management for direct and most indirect taxes.

“The law is very complex, and complexity produces vagueness and uncertainty,” says Green. “There is an immense amount of time and effort spent by taxpayers – and the ATO – in trying to understand and interpret the law, and correctly apply it.”

According to Green, the volume of tax law, especially federal income tax law, has grown exponentially over the last ten years. This is mainly due to the law trying to keep pace with the complexities of evolving business products and transactions.

“We don’t always get the interpretation right, and from time to time that creates tension between ourselves and the ATO,” he adds. “None of us at the big end of town are seeking to avoid or evade taxes, but we can end up in interpretational disputes with the ATO.”

“As a bank, we also have significant obligations to collect a large variety of taxes on behalf of all levels of government. Collecting and remitting the funds and dealing with associated returns and other compliance obligations is fairly straightforward. However, the processes do present significant operating risk challenges since simple errors can reflect a systemic problem and generate large financial exposures.”



09

Survey results: the Henry Review

In terms of macro policy, the highest priority reform for respondents was a reduction in the number of taxes.

Key points

- Almost every respondent hoped the Henry Review would recommend a reduced number of taxes. Among respondents, this was the top policy priority.
- Over 80% of respondents want the Henry Review to recommend the elimination of State taxes, the harmonisation of State taxes and the harmonisation of State tax rates.
- There is little desire to see a switch to environmental taxes, particularly within the mining industry.
- The most popular specific reform proposal would be the removal of double taxation on foreign earnings.

On 13 May 2008, the Federal Government announced a comprehensive review of the Australian tax system, to be chaired by Dr Ken Henry. Although the review will encompass almost all areas of taxation (except GST), it has been specifically charged with ‘enhancing’ the role and structure of company taxation²⁴, enhancing taxation arrangements (including excise) for taxes that are collected by the States²⁵ and simplifying the tax system²⁶.

The Review’s terms of reference request that it make recommendations to enhance overall economic wellbeing²⁷ and to ensure that its recommendations contain incentives for reducing the tax system’s complexity and compliance costs²⁸.

Given the importance of the AFTS Review, the 2008 TTC survey asked companies about what they hoped the Review would recommend and what its priorities should be. From 79 survey participants, 58 participants (73%) provided answers to questions on tax reform and the AFTS Review.

The first questions presented participants with a range of macro reform policies and asked them to rate their absolute importance. The other questions presented participants with a range of specific income tax modifications, and asked participants to rate their importance.

For both sections, participants ranked the reform options on a scale of 1-5, with five denoting strong agreement.

24 The Australian Treasury: Australia’s Future Tax System. Terms of Reference. Clause 3.3 <http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/reference.htm>.

25 Ibid; Clause 3.4.

26 Ibid; Clause 3.5.

27 Ibid; Clause 4.

28 Ibid; Clause 4.4.

Priorities in tax reform

Figure 9.1 shows the average ranking (out of 5) for different macro reform options.

In terms of macro policy, the highest priority reform for respondents was a reduction in the number of taxes. In total, 97% of survey participants either agreed or strongly agreed that this should be a recommendation of the AFTS Review.

There was very strong support for the reform of State taxation. Over 90% of respondents agreed or strongly agreed that State taxes should be eliminated and/or their base harmonised. Four-fifths of respondents also thought that State tax rates should be harmonised.

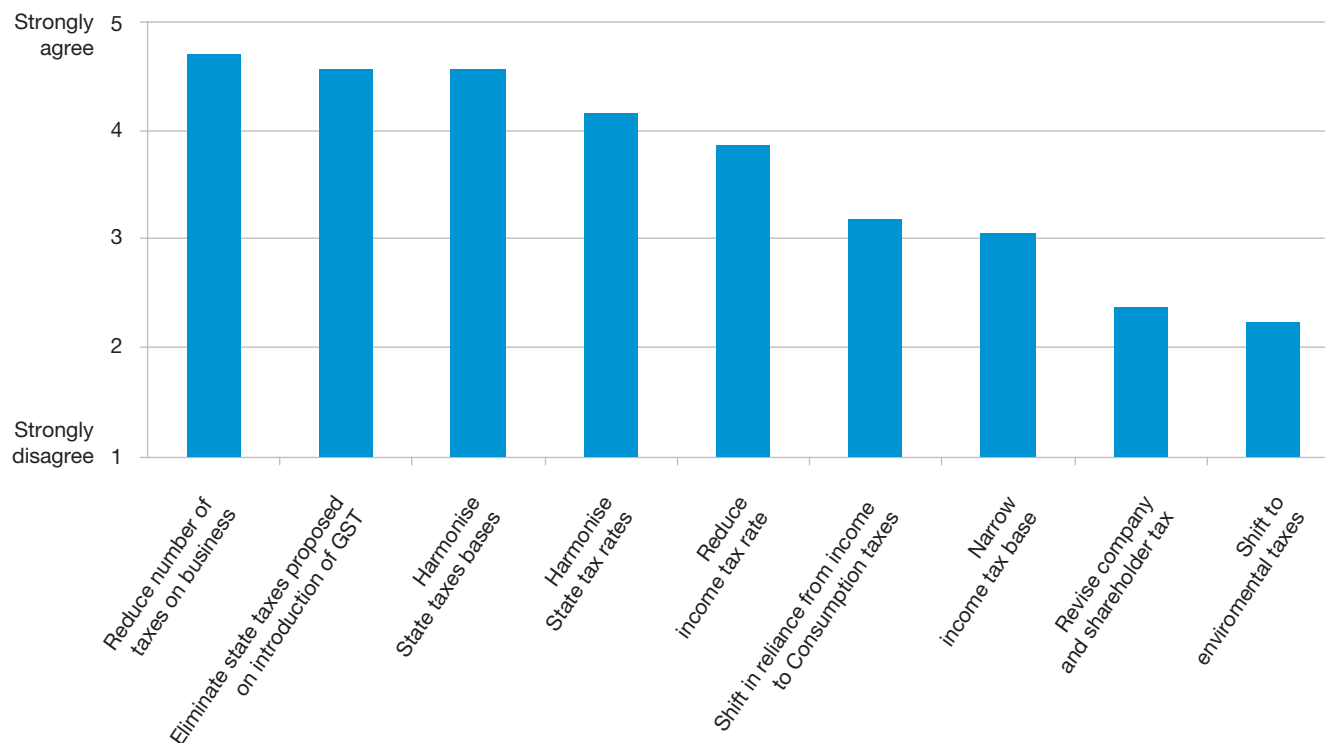
Of the potential macro reform policies which the AFTS Review has been asked to consider, participants least favoured a shift to environmental taxes, with only 21% providing a positive response. Almost half of the respondents were neutral on the idea of a switch towards environmental taxes and 33% responding negatively.

Not surprisingly, there was positive support for reduction in the income tax burden. Interestingly, respondents had a stronger preference for this to be achieved through reduction in the tax rate rather than narrowing the tax base. More detail on income tax base reduction options are included in Figure 9.2.

There were significant variations in opinion towards tax reform policy among respondents from different industries. For example, the materials industry particularly preferred a shift to consumption taxes.

Generally, capital intensive industries were less concerned with lowering the income tax rate than narrowing the tax base, whereas for banks and diversified financials, rate reduction was a higher priority.

Figure 9.1: Preference for general reform policies



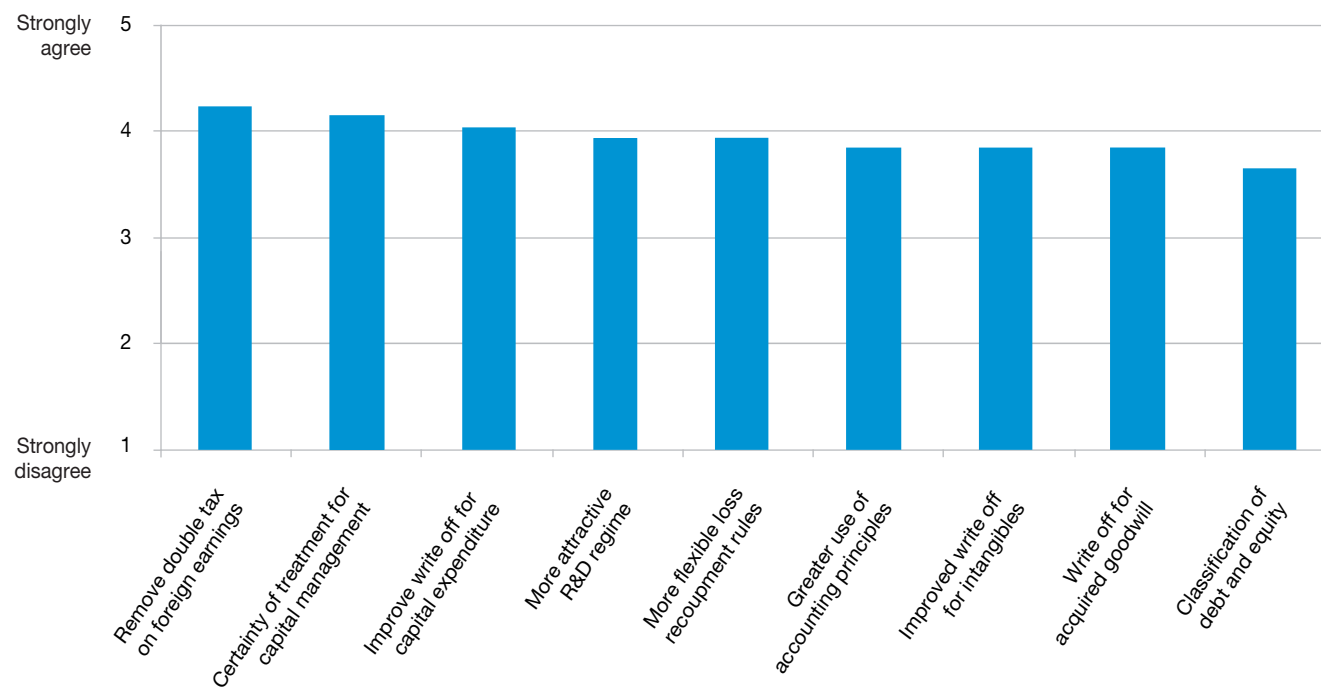
Specific income tax reform measures

In terms of specific income tax reforms, the need to remove double taxation on foreign earnings rated highest, with 88% of respondents in favour. The lowest priority for potential tax reform was the classification of debt and equity.

Again there was significant variation between industries on income tax reforms. Notably:

- The banking industry expressed a strong preference for increasing the use of accounting principles for tax.
- Respondents from capital intensive industries, such as mining and materials, preferred improvements to the R&D regime, capital expenditure write offs and more flexible loss recoupment rules.

Figure 9.2: Preference for specific tax reform measures



10

Survey results: international comparisons

An international comparison of tax compliance costs raises the question, why a relatively small economy like Australia has allowed its tax system to develop such complexity.

Key points

- Australia has a high number of business taxes compared to other countries.
- The average total tax rate in Australia is similar to the rate in comparable economies.
- Corporate income tax in Australia represents a higher proportion of business taxes than almost all other countries.
- A comparison of tax compliance costs shows Australia's tax system to be very complex compared to the amount of revenue raised.

International benchmark comparisons

PricewaterhouseCoopers has undertaken TTC studies in nine countries around the globe. A comparison between the results from Australian companies and those from other countries confirm the complexity of Australia's corporate taxation system.

Australia has the third highest number of taxes (56) of the countries where TTC studies have been undertaken (Figure 10.1). Like the US, the majority of taxes are applied at the State level – adding not only to the total number of business taxes but also to the complexity of the tax system.

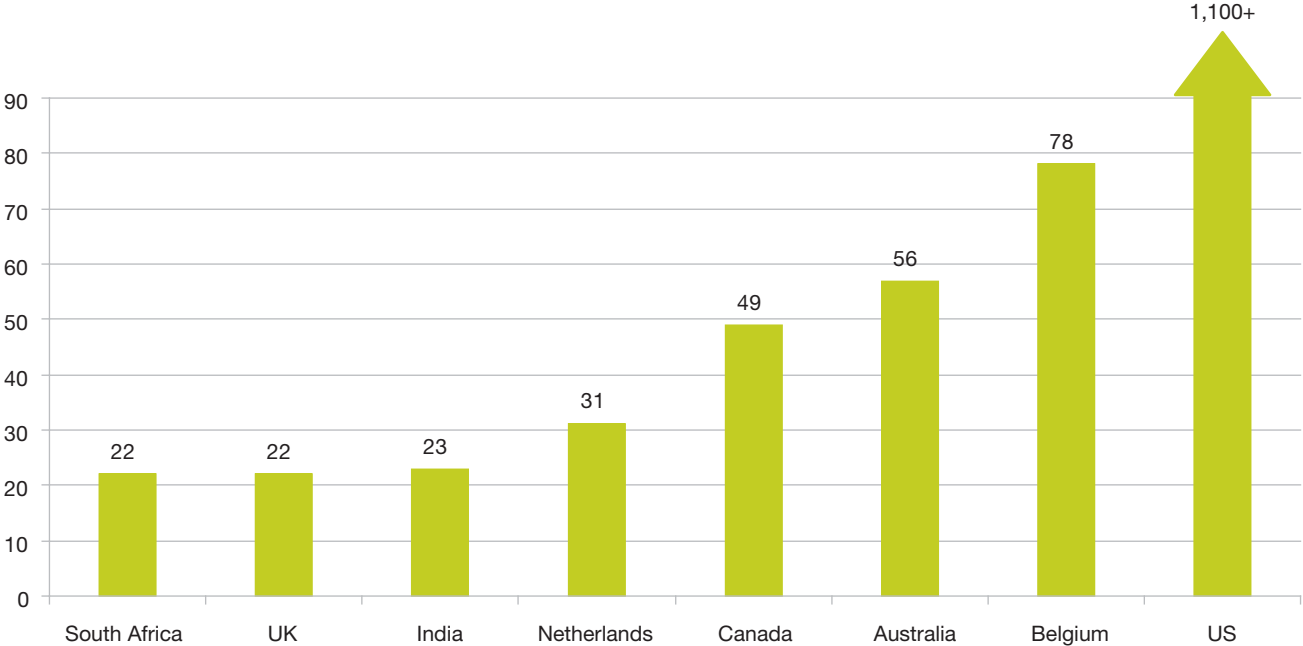
By comparison, the UK, which does not have state-based taxation, has only 22 business taxes.

On the other hand, Canada, which has 13 Provinces and Territories, has only 49 taxes.

The United States has over 1,100 taxes, imposed by their Federal government and the 50 States and the District of Columbia. There are also taxes imposed by more than 89,000 local government entities that are too numerous to identify.



Figure 10.1: International comparison of the number of business taxes



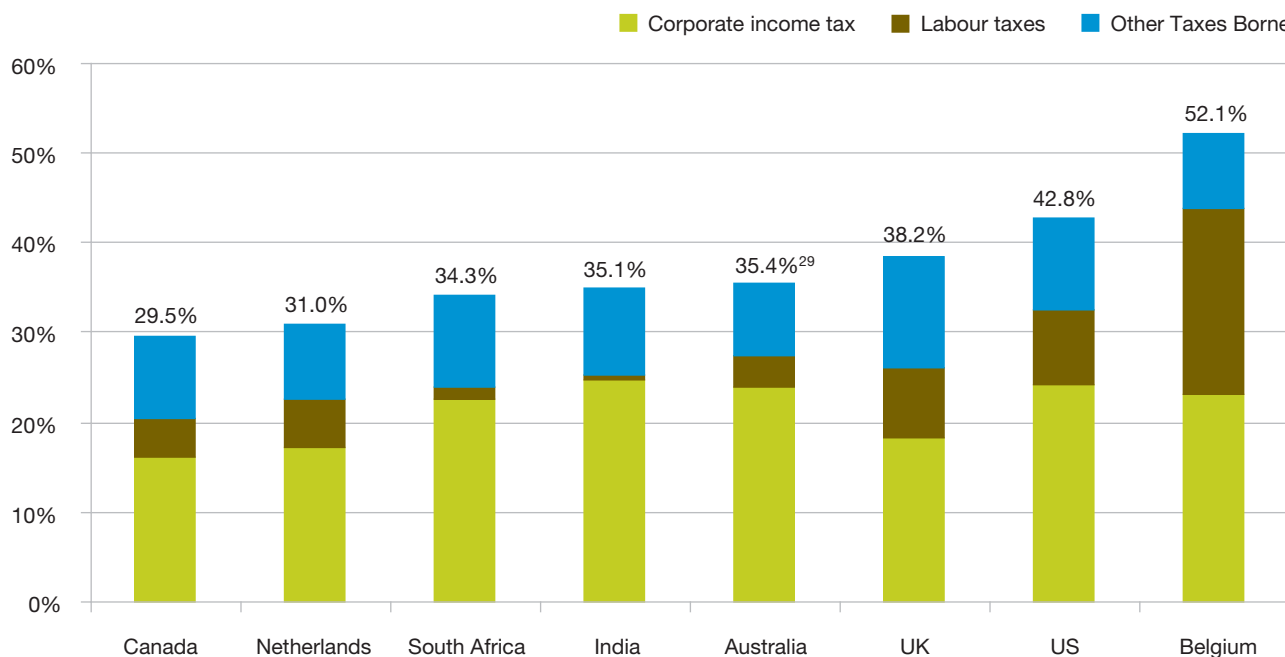
International total tax rates

Australia's total tax rate is approximately average for the countries surveyed (Figure 10.2).

Although the Total Tax Rate for Australian companies is in the middle of the range internationally, the ratio of corporate income tax to other business taxes is significantly higher in Australia than in comparable countries. This is offset by lower labour taxes than most other countries.

With the exception of India, the Australian government raises a greater proportion of its corporate tax from corporate income tax than any other country surveyed.

Figure 10.2: Comparison of the average TTR



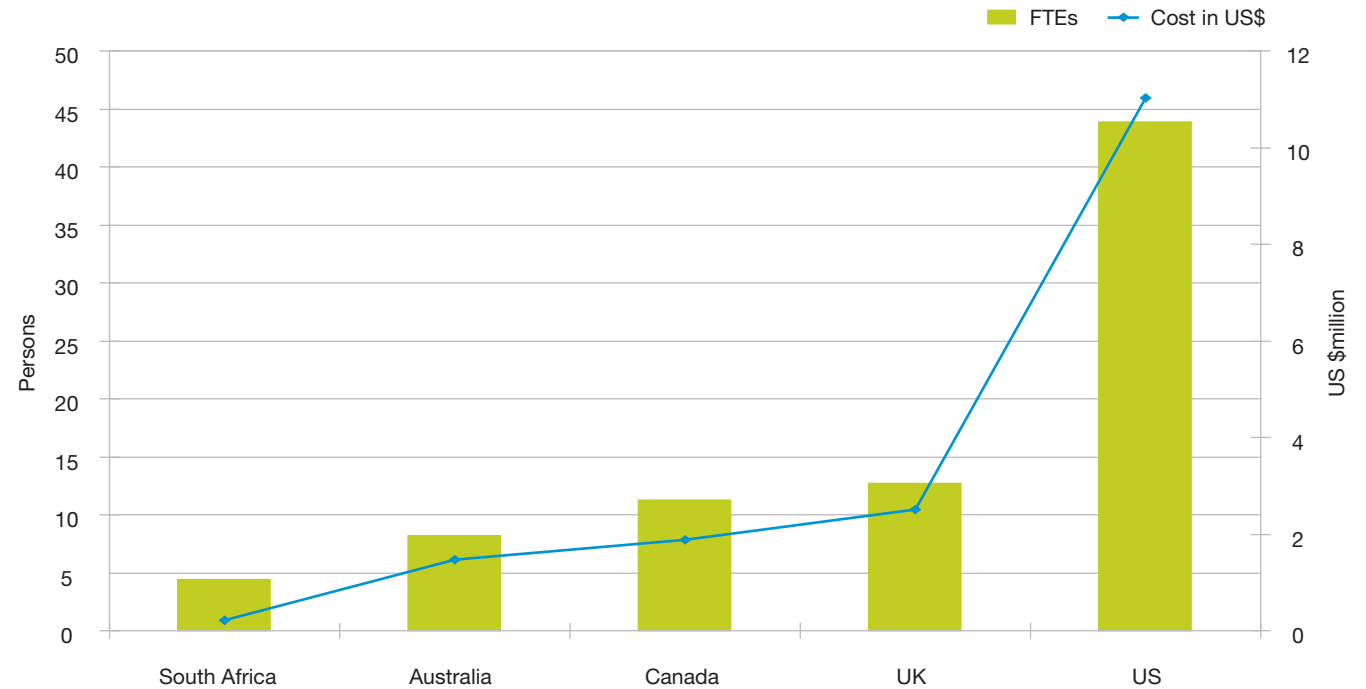
²⁹ For the purposes of consistency the TTRs graphed above are simple averages. In other parts of the report, the median TTR is used.

International tax compliance costs

Figure 10.3 shows the survey results for the average cost of compliance for all taxes in each country. The chart also shows the average number of full time equivalent staff (FTE) working on compliance as estimated by the participants (results are not available for all countries).

On average, tax compliance costs incurred by business in Australia are less than in Canada, the UK and the US.

Figure 10.3: Comparison of the average cost of tax compliance

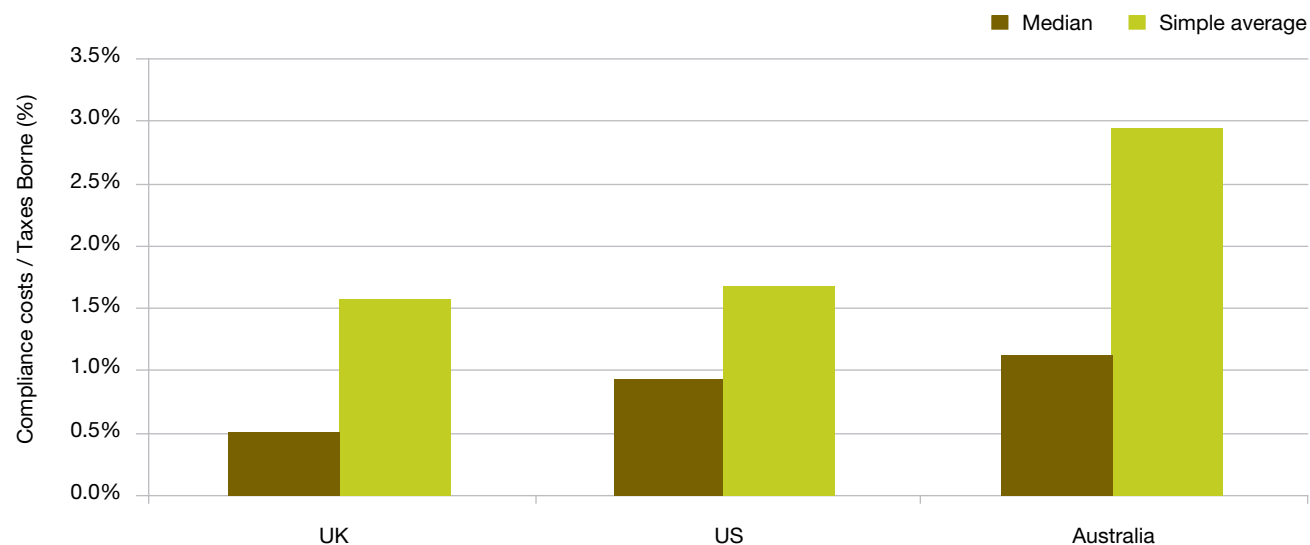


However, if the cost of compliance as a proportion of total Taxes Borne (the compliance surtax) is compared across countries, Australia's position appears significantly less favourable.

Figure 10.4 shows that Australia's average cost of tax compliance as a percentage of total Taxes Borne is in excess of both the US and UK. This compliance surtax comparison indicated that Australia's tax system is relatively complex, compared to the amount of revenue being raised.

It is widely acknowledged that the United States has the world's most complex taxation system. Nevertheless, it is a significantly larger economy³⁰ than Australia with much larger corporations to deal with that complexity. It could be argued that Australia's tax system is as complex as any other country, yet our GDP is only the 15th in the world.³¹ This raises the question as to why a relatively small economy has allowed its tax system to develop such complexity.

Figure 10.4: Cost of tax compliance as a percentage of taxes (compliance surtax).



³⁰ The United States GDP is approximately 14 times that of Australia.

³¹ Per International Monetary Fund and World Bank.

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Appendix A:
the PwC Total Tax
Contribution framework

PricewaterhouseCoopers designed the Total Tax Contribution framework to enable companies to collect and report total tax information in a consistent manner, to meet the needs of stakeholders and improve transparency. In particular, it was recognised that financial accounts rarely include information on business taxes other than corporate income tax.

Few companies have accurate and comprehensive information on their tax payments. In our view, every company should know the total amount of tax it pays. A proper focus on Total Tax Contribution (TTC) provides visibility on the impact of all taxes to a company's internal stakeholders, and enables management to make more informed investment decisions. It also improves tax risk management, internal controls and the allocation of tax resources.

TTC also provides a way for companies to communicate their tax contribution to external stakeholders. It is an economic measure of what companies pay into the public finances and, as such, may meet the needs of some stakeholders better than the tax disclosures in their financial statements. Companies may wish to report their tax contribution as part of their external communications or in their corporate social responsibility report. TTC aligns with the guidelines on tax as part of corporate social responsibility reporting.¹

What is the PricewaterhouseCoopers Total Tax Contribution framework?

The PricewaterhouseCoopers Total Tax Contribution framework defines the components of a company's overall economic contribution in taxes, examining three specific areas of taxation:

1. Business Taxes Borne by the business – taxes that impact the Income Statement
2. Business Taxes Collected – Taxes Collected from customers and employees that are then remitted to government and
3. Tax Compliance Costs – administrative costs incurred in assessing and remitting Taxes Borne and Taxes Collected.

It is also possible to broaden the framework to include other payments to and from government, which do not meet the definition of a tax. Total Tax Contribution may also take account of business processes that are indirectly impacted by taxation, such as where taxes are embedded in purchased products and services.

The Total Tax Contribution framework provides information on what taxes companies bear and collect. By focusing on payments, it provides an economic measure of what companies contribute to government revenue. It is an alternative to assessing tax as a financial measure (i.e. corporate income tax expense) in a company's financial statements. It is intended to be a relatively easy concept for all stakeholders to understand.

The Total Tax Contribution framework is also designed to enable the tax contribution of companies to be measured on a consistent basis.

¹ Sustainability Reporting Guidelines Global Reporting Initiative, 2006 www.globalreporting.org.

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The framework is built around two criteria: firstly, the definition of a tax; and secondly, the distinction between taxes which are a cost to the business (Taxes Borne) and taxes the business collects on behalf of the government (Taxes Collected).

- **Definition of a tax**

For the purpose of the Total Tax Contribution framework, PricewaterhouseCoopers has defined a tax as “something that is paid to government (by businesses or individuals) to fund government expenditure, excluding payments where there is a specific return of value (for example, rents and licence fees).”

Accordingly, not all payments made by businesses to government will meet this definition of a tax. A payment which provides some return of value to the business is not treated as a tax for the purposes of Total Tax Contribution. A license fee paid to government which conveys certain rights to a business is an example of a payment not considered to be a tax.

- **Distinction between Taxes Borne and Taxes Collected**

Taxes Borne are the company’s immediate cost and will impact results. For example, payroll taxes form part of employment costs. Taxes Borne are charged to the company’s Profit and Loss account and will ultimately be passed on to customers, employees or shareholders.

The Total Tax Contribution framework includes any payment that is made to government in respect of the employment of people, even in cases where the tax may result in lower salary and wages. For example, fringe benefits tax (FBT) is imposed on employers in relation to benefits provided to employees, and is treated as a Tax Borne under the framework.

Taxes Collected are not the company’s own costs, but Taxes Collected on behalf of government from others, for example income tax under pay as you go (PAYG) from employees. Taxes Collected are administered by the company, involve costs of compliance, and indirectly impact on the company’s results since, for example, indirect Taxes Collected will impact prices to customers and employee taxes impact the cost of labour.

The tax collection obligations imposed by government on business are significant and it is important to understand the amount collected by a company as part of any recognition of their wider tax contribution. Taxes Collected by a company are essentially generated by its business activities; either in relation to the employment of people or the sale of products and services.

In addition, there is a real cost of administering collection of these taxes that needs to be recognised. Business bears the costs of interpreting the often complex legislative provisions, maintaining the necessary compliance systems and penalties that are incurred if errors are made in complying with the applicable legislation.

Certain taxes can be considered both borne and collected – borne by a company on their own consumption and collected by companies in the appropriate industry sector. Examples of taxes that can be both borne and collected include insurance taxes, which are collected by insurance companies and borne by the insured.

Australian GST is collected by companies on behalf of the government. However, not all GST on inputs can be claimed as a tax credit. In these circumstances the ‘irrecoverable’ GST is treated as a Tax Borne by the company. The most common example of this is in the financial services sector where companies cannot claim a significant proportion of GST on inputs.

Further details of the classification of taxes as borne or collected is included in Appendix B.

Key measures

The analysis in Section 6 aggregates the data collected from survey participants and examines their relativity in relation to three key measures:

1. Taxes Borne as a percentage of profit before all business taxes (Total Tax Rate)
2. Taxes Borne and Taxes Collected as a percentage of turnover and
3. Employment Taxes Borne and Taxes Collected per employee.

- **Total Tax Rate (TTR)**

The TTR measures the percentage of company profits paid in taxes and provides a useful measure of a particular business' total taxation burden. The TTR is calculated as all business Taxes Borne as a percentage of profits before all business Taxes Borne are paid (including corporate income tax and indirect Taxes Borne).

In the calculation, the numerator is the total of all business Taxes Borne and the denominator is the profit before all business Taxes Borne. It is important to note that the profit figure used in the calculation is not the traditional figure found in the financial statements of the company (i.e. accounting profit before income tax). As many of the Taxes Borne are deducted in calculating profit before tax, they must be added back to generate a profit before all business taxes to be the denominator in the calculation.

For example, if a company had net profits before all business taxes of \$115 and incurred business taxes of \$15, their profit before corporate income tax is \$100. When corporate income tax is applied to the \$100, assume the corporate income tax liability is \$25. Accordingly, the TTR for this company is calculated as follows:

	\$
Profit before business taxes	115
Other business taxes	(15)
Profit before income tax	100
Corporate income tax ²	(25)
Profit after tax	75
Total Tax Rate $[(15+25)/115 \times 100]$	35%

It is possible that the TTR can exceed 100% in cases where all business taxes are greater than profits before any business taxes. This might be the case, for example, where a company with low profits and hence low income taxes, still bears relatively high other business taxes which are imposed irrespective of profitability. The following calculation provides an example of this.

	\$
Profit before business taxes	20
Other business taxes	(15)
Profit before income tax	5
Corporate income tax	(10)
Profit after tax	(5)
Total Tax Rate $[(15+20)/20 \times 100]$	125%

- **Taxes Borne and Taxes Collected as a percentage of turnover**

Taxes Borne and Taxes Collected as a percentage of turnover is another useful measure of what a company contributes to government taxation receipts having regard to their size as measured by turnover. The numerator is total Taxes Borne and total Taxes Collected, as a proportion of Australian turnover, which is the denominator.

- **Employment Taxes Borne and Taxes Collected per employee**

The final measure we have considered is employment Taxes Borne and Taxes Collected per employee. This measure may be useful in considering the multiplier effect in taxes of jobs created by Australian business. In this calculation, employment Taxes Borne and Taxes Collected are the numerator and the number of employees the denominator. Employment taxes borne are FBT and payroll tax. Employment Taxes Collected are principally income tax deducted at source under PAYG.

² The effective tax rate may differ from the statutory tax rate because the 30% corporate tax rate is applied to taxable income not profit before tax. Taxable income will normally differ from profit before tax, because of differences in the accounting and tax treatment of certain items of income and expenditure.

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Non-tax contributions

In addition to Taxes Borne and Taxes Collected, companies make other compulsory payments that are akin to taxes. The Total Tax Contribution framework does not include these as either Taxes Borne or Taxes Collected but they are measured because of their significance.

Superannuation guarantee (SG) obligations in Australia have not been treated as a tax for the purposes of the Total Tax Contribution framework. Even though they are compulsory, the contributions are not paid to the Federal Government (except in rare instances when the employer fails to meet the required level of support and is obliged to pay a superannuation guarantee charge).

Nevertheless, as SG is a compulsory contribution made by companies, the survey identifies contributions on behalf of employees. The minimum contribution, equal to 9% of an employee's salary and wages, performs a similar role to that of social security levies in many other OECD countries. Where such levies are payable, either to the particular government's consolidated revenue or into a government administered fund, they are regarded as a tax in those countries.

A similar conclusion on the treatment of SG was reached in the recent Federal Government report.

Similarly, natural resource extraction royalties³ paid to State governments are not treated as a Tax Borne under the Total Tax Contribution framework because they entitle the payee to mine and are negotiated and payable on the basis of gross income. In contrast, petroleum resource rent tax is included as a tax because it is paid to the Federal Government and is based on profit. Given both extraction royalties and petroleum resource rent tax represent a return to the community for the depletion of a natural resource, the survey identifies data in relation to extraction royalties.

³ Extraction royalties are payments for leases to extract minerals or other natural resources, and to explore for minerals.



B

Appendix B:
summary of Australian
taxes on business

Tax	Federal	State								Municipal Taxes	Taxes Borne	Taxes Collected	
		Vic	NSW	Qld	WA	SA	Tas	NT	ACT				
Income taxes													
Income tax	✓											✓	
Petroleum resources rent tax (PRRT)	✓											✓	
PAYG – collections from non-disclosure of TFN	✓												✓
PAYG – non residents (interest, royalty, dividend)	✓												✓
PAYG – eligible termination payments and pensions	✓												✓
Superannuation contributions tax	✓												✓
Goods and services taxes													
Agricultural levies	✓					✓						✓	
Customs duties	✓											✓	
Excise duties	✓											✓	✓
Goods and services tax	✓											✓	✓
HIH levy	✓											✓	
Luxury car tax	✓											✓	✓
Stevedoring and marine navigation levies	✓											✓	
Wine equalisation tax	✓											✓	✓
Wool tax	✓											✓	
Bush fire services levy / fire levy			✓	✓				✓				✓	
Casino tax		✓	✓	✓	✓	✓	✓	✓	✓			✓	
Community ambulance cover				✓					✓			✓	✓
Credit duty				✓								✓	
Duty on sale of certain livestock		✓										✓	
Duty on vehicle registrations and transfers		✓	✓	✓	✓	✓	✓	✓	✓			✓	
Electronic gaming machines tax		✓	✓	✓		✓		✓	✓			✓	
Emergency services levy					✓	✓			✓			✓	
Financial accommodation levy / guarantee levy		✓		✓	✓			✓				✓	
Gaming Commission supervision charge		✓	✓	✓	✓	✓						✓	
Insurance contributions to fire brigades		✓	✓									✓	✓
Insurance premium duty		✓	✓	✓	✓	✓	✓	✓	✓			✓	✓
Insurance protection tax			✓									✓	
Public lotteries tax		✓	✓	✓	✓	✓	✓	✓	✓			✓	
Racing tax		✓	✓	✓	✓	✓		✓				✓	
Vehicle registration fees		✓	✓	✓	✓	✓	✓	✓	✓			✓	
Weight tax, oversize vehicles and loads			✓		✓			✓				✓	✓

Tax	Federal	State								Municipal Taxes	Taxes Borne	Taxes Collected	
		Vic	NSW	Qld	WA	SA	Tas	NT	ACT				
People taxes													
Expatriate tax equalisation payments	✓											✓	
Fringe benefits tax	✓											✓	
PAYG – employees	✓												✓
Payroll tax		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	
Property taxes													
Duty on declarations of trust over property		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	
Duty on hire of goods/rental business duty						✓						✓	✓
Duty on the acquisition of businesses/goodwill			✓	✓	✓	✓	✓	✓	✓	✓		✓	
Land rich duty		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	
Land tax		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	
Land transfer duty/conveyance duty		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	
Mortgage duty			✓	✓	✓	✓	✓	✓				✓	✓
Network and utilities tax									✓			✓	
Unquoted marketable securities duty			✓			✓			✓			✓	
Council rates										✓		✓	
Council collections of fire brigades levy										✓		✓	
Environmental taxes													
Aircraft noise levy	✓											✓	
Pollution levy	✓											✓	
Product stewardship levy (excise)	✓											✓	
Congestion levy/parking space levy		✓	✓									✓	✓
Environmental levies on statutory corporations		✓										✓	
Landfill levy/waste and environmental levy		✓	✓	✓	✓	✓						✓	
Metropolitan improvement levy		✓			✓				✓			✓	
Parks charge		✓										✓	
River Murray levy						✓						✓	
Number of taxes per jurisdiction	21	21	22	20	19	21	14	13	17	2			
Total													170

The following taxes were abolished during the period 1 October 2007 to 30 September 2008. They have still been included in the table as were only abolished for part of the year.

NSW: Lease Duty – abolished 1 January 2008

WA Mortgage Duty – 1 July 2008 (duty abolished)

Qld: Mortgage Duty – 1 January 2008 (duty reduced by 50%),
1 July 2008 (duty abolished)

Tas Duty on Non-Realty Property - 1 July 2008



C

Appendix C:
abolition of State
and Territory taxes

	Vic	NSW	Qld	WA	SA	Tas	ACT	NT
Duty on non-reealty property transfers (e.g. business assets)	N/A	1 July 2012 ¹	1 July 2012 ²	1 July 2010 ³	1 July 2012 ⁴	1 July 2008	Abolished from 1 July 2006	1 July 2009
Duty on non-quoted marketable securities	Abolished from 1 July 2002 ⁵	1 July 2012 ⁶	Abolished from 1 January 2007	Abolished from 1 January 2004	1 July 2012 ⁷	Abolished from 1 July 2002 ⁸	1 July 2010	Abolished from 1 July 2006
Mortgage duty	Abolished from 1 July 2004 ⁹	1 July 2012 ¹⁰	1 January 2008 (duty reduced by 50%) 1 July 2008 ¹¹ (duty abolished)	1 July 2006 – (reduced by 50%) 1 July 2008 – (duty abolished)	1 July 2007 (duty reduced by 33%) 1 July 2008 (duty reduced by a further 33%) 1 July 2009 (duty abolished)	1 July 2006 (duty to be halved) 1 July 2007 (duty abolished)	N/A	N/A
Hire of goods duty	Abolished from 1 January 2007	Abolished from 1 July 2007	Abolished from 1 January 2007	Abolished from 1 January 2007	1 July 2007 (duty reduced by 33%) 1 July 2008 (duty reduced by a further 33%) 1 July 2009 (duty abolished)	Abolished from 1 July 2002	Abolished from 1 July 2007	Abolished from 1 July 2007
Lease duty	Abolished from 26 April 2001	1 January 2008	Abolished from 1 January 2006	Abolished from 1 January 2004 (rental component only)	Abolished from 1 July 2004	Abolished from 1 July 2002	1 July 2009	Abolished from 1 July 2006 (including franchises)

1 Deferred to 1 July 2012 as part of the Mini-Budget Announcement 11 November 2008.

2 Abolition delayed from 1 January 2011 to 1 July 2012.

3 Budget 2006-07.

4 Announcement by the SA Treasurer (from the RevenueSA website).

5 State Taxation Acts (*Taxation Reform Implementation*) Act 2001 (Vic) s 6 and *State Taxation Acts (Further Taxation Reform) Act 2002* (Vic).

6 Deferred to 1 July 2012 as part of the Mini-Budget Announcement 11 November 2008.

7 Announcement by the SA Treasurer (from the RevenueSA website).

8 Revenue Legislation (*Miscellaneous Amendments*) Act 2002 (Tas).

9 State Taxation Acts (*Taxation Reform Implementation*) Act 2001 (Vic) s 7.

10 Deferred to 1 July 2012 as part of the Mini-Budget Announcement 11 November 2008.

11 Abolition brought forward from 1 January 2009 to 1 July 2008 as part of the 2008-09 budget announcement.

D

Appendix D:
Taxes Borne and Taxes
Collected by survey participants
compared with Australian
Government taxation receipts

	Taxes Borne 2008 (\$)	Taxes Collected 2008 (\$)	Estimated Government taxation receipts 2007-08 (\$)	Taxes Borne and Collected to Government (%)
Income taxes				
Corporate income tax	20,362,047,762		61,700,000,000	33%
Petroleum resource rent tax	1,513,448,600		1,686,000,000	90%
Total income taxes	21,875,496,362	553,860,531		
Goods and services taxes				
Goods and services tax	1,150,048,571	5,380,572,725	42,424,000,000	15%
Excise duties	1,788,150,266	15,345,754,729	23,727,000,000	72%
Customs duties	653,397,724		5,561,000,000	12%
Gaming taxes	1,179,928,173		4,304,930,000	28%
Insurance taxes	57,245,481	1,661,243,469	2,491,880,000	70%
Motor vehicle taxes	37,851,189		3,997,868,000	1%
Other goods and services taxes	1,213,479,324	107,304,309		
Total goods and services taxes	6,080,100,728	22,494,875,232		
Employment taxes				
PAYG – employees		10,494,740,526	123,906,000,000	8%
Fringe benefits tax	490,517,573		3,856,000,000	13%
Payroll tax	2,354,734,980		15,282,138,000	15%
Other employment taxes	40,862,952			
Total employment taxes	2,886,115,505	10,494,740,526		
Property taxes				
Land tax	10,494,740,526		4,080,200,000	5%
Stamp duties	146,816,196	91,714,666	16,154,622,000	1%
Other property taxes	144,844,725			
Total property taxes	493,650,597	91,714,666		
Environmental taxes				
Other environmental taxes	79,595,773		9,999,000,000	1%
Total environmental taxes	79,595,773	0		
Other Government taxation receipts			20,045,522,000	
Total	31,414,958,965	33,635,190,955	339,216,160,000	19%

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