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High Tax costing business

AUSTRALIA is losing ground internationally as a place to conduct business, as other countries make aggressive moves to cut corporate taxes.

While there have been only minor modifications this year to the corporate tax regime, seven countries in the OECD and six European Union nations have moved to bring down their company tax rates, according to research by the Business Council of Australia.

Peter Costello paints Australia as a low-tax country, but the BCA work suggests the nation could be losing its edge as an investment destination, raising the prospect of jobs going offshore.

In Belgium, for example, companies get tax breaks depending on how much equity they have invested, in an attempt to give equal treatment to funding operations by debt or investment.

Denmark has reduced its corporate rate from 30 to 28 per cent, while Greece has dropped its rate from 32 to 29 per cent and will go even further, to 25 per cent, next year. Last month, the German Government announced plans to drop the average corporate rate from 38.7 per cent to 29 per cent from 2008, with officials citing concern about attracting investment.

Countries in Australia's region are also moving aggressively to attract investment, with Malaysia announcing in September it would lower its corporate rate by one percentage point from 28 per cent in each of the next two years and Singapore moving to broaden its tax base by lifting its GST but cutting corporate taxes.

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