

# FOREWORD

This is the second paper issued by the Review of Business Taxation, and follows the release of *A Strong Foundation* on 23 November, 1998. The purpose of these papers is to facilitate participation by those with an interest in the review process in continuing discussions and consultation over the coming months.

*An International Perspective* is an information paper that has been commissioned from Arthur Andersen. It provides a comparison of Australia's business tax system with those of 26 other countries, 13 of these in some detail. Its purpose is to provide information on the way in which other countries approach the taxation of business income and to gain possible insights into the design of taxation policy and legislative processes in other countries. Such information and insights can assist in the complex process of reviewing Australia's arrangements since many of these countries have been or are now grappling with a similar set of problems that Australia faces with its business tax system.

There can be no expectation that the tax system of any one country will provide a blueprint for what should be done in Australia. The design of taxation can reflect a wide range of economic, social, political, cultural and historical factors that would not necessarily be wholly applicable in Australia. Nor should we be looking for the 'lowest common denominator' approach by seeking to distil only the most favourable features, from the viewpoint of taxpayers, of other tax systems. This would be unlikely to meet Australia's needs and would be unlikely to raise the revenue needed to enable the government to provide the range of public services and welfare support that the nation expects.

The purpose of *An International Perspective* is to provide information on what other countries do in particular areas. It does not attempt to draw conclusions on the appropriate action for Australia in these areas, but it does draw attention to international trends where these are evident. In taxation, as in virtually all areas of economic policy, a small open economy like Australia cannot ignore globalisation pressures and their impact on trade and finance. Taxation will often not be the primary factor that drives international investment decisions in a particular direction, but it nevertheless carries considerable weight. If factors relating to international competitiveness are ignored in the redesign of our tax system, we risk a situation where the key aims of the Review, including improving the efficiency of the economy and providing a stable source of revenue, will not be met.

We expect that the information contained in this report will assist consideration of the remaining discussion paper of the Review — on

specific design issues of the business tax system — to be released in early 1999. While it has been necessary for this study by Arthur Andersen to focus on the broad design features of the tax systems in other countries, sufficient information is provided to enable meaningful conclusions to be drawn. It is almost an inherent feature of taxation systems that the problems are often just below the surface. What may appear to be acceptable broad design features may in fact hide elements of detail that change the whole picture. Nevertheless, in order to succeed in implementing the type of tax system that Australia needs in entering the new millennium, it is critical to lay a solid foundation based on good design principles. Examination of taxation policies in other countries provides insights that will help guide the Review in putting forward recommendations. The process of legislative drafting and public consultation must then be capable of dealing with the implementation detail.

We commend this information paper to those wishing to gain a broad perspective on how the Australian taxation system compares with that of other selected nations.

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*Membership of the Review*

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