



**for a living planet**

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Business Tax Working Group Secretariat  
The Treasury  
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PARKES ACT 2600

Email: [BTWG@treasury.gov.au](mailto:BTWG@treasury.gov.au)

21 September 2012

Dear Madam/Sir

#### **WWF submission to Business Tax Working Group**

Thank you for the opportunity to make a submission.

WWF generally supports the Working Group's proposal for a broader base and lower tax rate, and a reduction in special exemptions and subsidies that benefit some but not other businesses, save where an essential public purpose is served. One clear example of the latter is the difficulty innovative firms face in capturing the economic benefits of research and development. Another, WWF would argue, is support for the post-research and development deployment of proven near zero or very low environmental impact technologies., such as deployment of geothermal heat pumps and other forms of near zero emission energy, and methodologies for example the transition to much lower soil and water impactful, and methane intensity, beef production.

In each case existing, long-standing but ecologically unsustainable forms of production dominate the market, often as a result of receiving subsidies, favourable tax treatment or other forms of public support for many years, and new more sustainable technologies and methodologies are faced with both a social resistance to change and higher short term capital costs (though often significantly lower medium term operating costs).

The importance of addressing the ecological sustainability of the Australian/global economy is becoming more pressing by the day<sup>1</sup>. Humanity depends on clean freshwater, soil formation, cycling of nutrients (so that soils stay productive), vegetation to prevent soil erosion and dryland salinity, biodiversity to regulate pests and diseases, and other services provided by the Earth's natural ecosystems to sustain life<sup>2</sup> but these

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<sup>1</sup> About one-quarter of Australia's surface water management areas were classed as: Highly used or overused in 2000 and the available evidence points to a continued decline in waterways Australia-wide: Australian Bureau of Statistics (ABS) 2006, 1370.0 *Measures of Australia's Progress 2006*, page 3; About 5.7 million hectares of land are affected by or at a high risk of developing dryland salinity: 2006, *ibid*, page 3; Australian biodiversity continues to decline: *Australian State of the Environment Report 2011*, <http://www.environment.gov.au/soe/2011/summary/biodiversity.html>.

<sup>2</sup> WWF's Living Planet Report shows that we are consuming the resources that underpin ecosystem services



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are nearly always public goods that have limited commercial value to individual producers. This encourages individual producers to maximise their returns by exploiting the public goods. Indeed they have little choice but to do otherwise; they are selling into a competitive market which both fails to properly price ecosystem services and which fosters wasteful consumption (for example, throwing away a kilo of beef wastes the 50,000 litres of water which was consumed in its production<sup>3</sup> and 51.7 kilograms of greenhouse gas emissions emitted<sup>4</sup> and throwing away 1 kilogram of building concrete wastes the 170 Megajoules of energy used to produce it<sup>5</sup>) or excessive consumption (as demonstrated by the level of obesity in Australia).

The review by the Business Tax Working Group provides an opportunity to broaden the tax base and lower tax rate, and eliminate special exemptions and subsidies (particularly subsidies that benefit highly polluting industries). While recognising that broadening the business tax base and lowering the business tax rate is a sound principle, special measures to support innovation and the deployment of proven near zero or very low environmental impact technologies and methodologies are essential if we are to effectively and efficiently address environmental degradation. The tax system provides the most reliable means to do so. While direct subsidies will no doubt continue to play an important role, they are administratively complex and very subject to the vagaries of politics with the result that firms and financiers are more reluctant to invest in them.

The support for innovation and the deployment of proven near zero or very low environmental impact technologies and methodologies should be matched by initiatives to encourage consumers to slow, stop and then reverse the environmental degradation and wasteful consumption, for example by the introduction of an environmentally weighted goods and services tax to encourage the consumption of sustainable commodities and discourage wasteful and excessive consumption, particularly of high-environmental impact commodities. The data necessary to support an environmentally-weighted goods and services tax is available in Australia today, and in most cases more sustainable production systems or less environmentally impactful commodities are presently available<sup>6</sup>.

If you have any queries or require further information, please do not hesitate to contact me on 02 6120 0108 or [ptoni@wwf.org.au](mailto:ptoni@wwf.org.au).

Yours faithfully

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faster than they can be replenished and that our global ecological footprint – as measured by the Living Planet Index – now exceeds the world's capacity to regenerate by about 30 per cent. If our demands on the planet continue at the same rate, by the mid-2030s we will need the equivalent of two planets to support our lifestyle:

[http://awsassets.panda.org/downloads/1\\_lpr\\_2012\\_online\\_full\\_size\\_single\\_pages\\_final\\_120516.pdf](http://awsassets.panda.org/downloads/1_lpr_2012_online_full_size_single_pages_final_120516.pdf) (accessed 20 September 2012).

<sup>3</sup> CSIRO Land and Water, Wayne Meyer, 1997, *Water for food – The continuing debate*,

[http://www.clw.csiro.au/issues/water/water\\_for\\_food.html](http://www.clw.csiro.au/issues/water/water_for_food.html).

<sup>4</sup> Department of Climate Change, *End use allocations of emissions*, <http://www.climatechange.gov.au/inventory/enduse/index.html>.

<sup>5</sup> Commonwealth of Australia, *Your Home Technical Manual*, Fourth edition, 2008.

<sup>6</sup> CSIRO, *Balancing Act – A Triple Bottom Line Analysis of the Australian Economy*, <http://www.csiro.au/resources/BalancingAct.html>.