

26 May 2015

Tax White Paper Task Force  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Sir/Madam

**SUBMISSION ON TAX DISCUSSION PAPER**

The Planning Institute of Australia (PIA) welcomes the opportunity to make a submission on the Tax Discussion Paper. PIA is the peak professional body representing 5,000 urban and regional planners across Australia and overseas, who work to create more productive, sustainable and livable communities.

PIA welcomes the consultative approach being taken in considering the future of our national tax system. Engaging the broad community in a national conversation on our tax system is a welcome initiative. PIA also supports the focus on collaborative ideas generation rather than simply prescribing solutions.

PIA acknowledges the important role taxation policy plays as a macro policy lever – but, it is one of many macro policy levers that together work to shape our communities – whether these be towns, cities or regions.

Communities are complex entities subject to the operation of highly complex interrelated systems. Adjusting one policy lever, like a tax policy lever, without considering the consequential impacts this has on other parts of the complex inter-related system can have serious adverse impacts on our communities. PIA therefore cautions about looking at taxation policy changes in isolation, and suggests that consideration of changes to the taxation system be made within the wider context of other significant reform proposals. Notably, the competition policy review and the white papers on Federation and Northern Australia will set broad national direction and a combination of reforms and ideas from these collective processes will need to be considered. PIA believes that this collection of reform proposals collectively has the potential to greatly influence how our communities function, and proposals for change need to be complimentary.

PIA believes that Government – Federal, State, Territory and Local – has come to better understand the complexities of communities and to better understand the inter-relatedness of urban and regional planning practice (which is grounded in managing complex and interrelated systems). Government has also come to better understand the ability of urban and regional planning practice to improve community development outcomes, coordinate infrastructure, manage resources, protect the environment, improve quality of life, and enhance productivity.

The COAG review of city strategic planning systems broadened the understanding of planning beyond development control, through to its application as a strategic systems management policy tool. The COAG work recognised the inter-connectedness of city systems, and the important tie between planning, infrastructure provision and Government's capacity to pay for the needs of our major urban centres. This needs to be maintained, along with cultivating a greater appreciation by all governments that Australia's planning systems and any policies that have spatial and growth management implications, greatly influence the economic, social and environmental performance of the nation's major urban and regional centres. Taxation policy is one of these policies that can, and does, have spatial and growth management implications and therefore the spatial and community impacts of any proposed changes brought about through taxation policy changes needs to be carefully thought through, and the impacts on communities and the impacts on those complex inter-related systems needs to be fully understood.

The tax discussion paper highlights a number of areas, where in PIA's view, changes are likely to have spatial and growth management impacts.

Changes to current personal tax arrangements will have impacts on workforce participation and labour mobility. Regional and remote communities in particular are impacted by such changes and PIA sees areas like the application of zonal offsets as being particularly impactful on remote communities who struggle to maintain supplies of skilled labour. Similarly, distribution of royalties and the impacts on regional communities needs to be well understood. PIA would draw the task force's attention to recent good practice in Queensland with the development of social impact management plans.

Provision of both economic and social infrastructure is a vital ingredient in building livable and prosperous communities. Changing arrangements which see less investment in vital infrastructure, whether it is through reallocation of GST revenues, changes to offsets arrangements, or GST application to critical infrastructure inputs, is a particularly worrying area for PIA.

One issue PIA would greatly welcome is a sensible discussion about addressing vertical fiscal imbalance and its impacts on infrastructure provision. It makes no sense for the Commonwealth to collect the bulk of taxes in this country, and then dictate urban management outcomes by not supporting state transport priorities where the states must deliver the vital infrastructure communities need. Public transport is a vital part of any city's functioning, and it is ludicrous that the Commonwealth Government primarily apportions redistributed tax revenue for less productive road infrastructure through land transport funding arrangements – the most productivity lifting infrastructure in a major centre is typically public transport and current arrangements see the Commonwealth not directing tax back into the areas of greatest service delivery need and this is one area that must be addressed urgently if our communities are to see chronic infrastructure backlogs addressed.

Taxation policy is a key lever and stimulator of housing provision and development activity. Changes which see housing becoming less affordable or which dampen housing supply are particular impacts PIA would counsel against. Land tax rates can act as either a stimulant or suppressor of development activity. If development activity contracts this will see further household price rises putting greater pressure on housing affordability. Similarly, the rate of stamp duty as a mechanism to affect land supply and / or housing affordability needs to be fully understood. Similarly, an examination of rating and land valuation methodology should be considered to determine if there are benefits from standardising practices nationally.

For communities to be prosperous, employment is a key factor. PIA welcomes arrangements such as tax treatments applying to specialised industries and retention of research and development tax credits where these stimulate innovation, lift productivity and broaden the economic base as all of these will assist in jobs creation and underpin community prosperity. PIA also supports simplification of the tax system for small business as a way of stimulating jobs growth and localising employment opportunities

PIA, on its own account and in collaboration with like-minded organisations, acknowledges there are significant risks of failing to properly appreciate, foster and action good planning outcomes for Australia's cities and regions. It is essential to do this in the context of an all-inclusive planning system, which includes the implications of taxation policy, not individual compartments that in isolation have the potential to result in sub-optimal outcomes.

PIA supports the development of integrated and responsive policy and strategies that contributes to and develops a more prosperous Australia.

PIA contends that holistic integrated forward planning taking into account the complex interrelated systems that govern our communities is critical to Australia's productivity and

liveability. Our cities and regions and the tax arrangements that govern how they operate are a vital part of Australia's economy, and are essential to our success as a nation. We refer you to the PIA statement on "*What is good planning*" which sets out comprehensively the importance of proper integrated planning (refer Appendix A).

To strengthen and develop our communities requires significant coordination, commitment and collaboration across government, industry and the community. In this regard, PIA suggests a framework needs to be established that sees the Federal, State and Territory Governments and relevant Local Governments come together to better understand and use good integrated policy thinking and planning practice to improve community outcomes, coordinate infrastructure, manage resources, protect the environment, improve quality of life, and enhance productivity. In this regard PIA has adopted a set of Planning Systems Principles to guide planning activities and we would refer you to these principles (refer Appendix B).

Again, we thank you for the opportunity to comment on the Tax Discussion Paper. PIA contains a wealth of experienced practitioners across the country who would be willing to assist in this important policy development process, particularly in addressing any specific questions related to spatial or growth management impacts that may arise. We would be pleased to provide any further advice you may require.

Please do not hesitate to contact me at [kirsty.kelly@planning.org.au](mailto:kirsty.kelly@planning.org.au) if you have any questions regarding this submission.

Yours sincerely



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Appendix A - What is good planning position statement refer to  
<http://www.planning.org.au/policy/what-is-good-planning-0913>

Appendix B - Planning System Principles position statement refer to  
<http://www.planning.org.au/policy/planning-systems-principles-0713>