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xam_Angela **s 22**
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Hi **s 22**

The main things to take note of in this bulletin, due to be published tomorrow night, are:

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- The PC believes the tax reform proposals in the interim pillar 1 report would increase investment and, therefore, capital deepening.

Please let me know if you have any questions.

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If you have any questions about the bulletin, please contact **s 22** 2pc.gov.au.

Regards

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pc.gov.au



The Productivity Commission acknowledges the Traditional Owners of Country throughout Australia and their continuing connection to land, waters and community. We pay our respects to Aboriginal and Torres Strait Islander Cultures, Country and Elders past and present.

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Australian Government
The Treasury

Meeting Brief

MB25-001148

T

FOR INFORMATION - Meeting Brief s 22 **Wednesday 3 September 2025**

TO: Treasurer – The Hon Jim Chalmers MP

CC: Assistant Treasurer and Minister for Financial Services – the Hon Dr Daniel Mulino MP

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KEY MESSAGES

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- s 22 may note that one of the PC's proposals, a new net cashflow tax, would be expected to create an increased tax burden for companies earning over \$1 billion (including s 22)

- The Government will consider the PC's recommendations once the final reports are handed down, alongside any outcomes from the Economic Reform Roundtable.

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Clearance Officer

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Director

Financial System Division

1 September 2025

Contact Officer

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Assistant Director

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CONSULTATION

Homelessness and Housing Policy Division, Housing Supply and Cities Division, International Economics and Security Division, Competition and Consumer Policy Division, , Macroeconomic Conditions and Population Division.

ATTACHMENTS

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Australian Government
The Treasury

Ministerial Submission

MS25-002191

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FOR INFORMATION - Productivity Commission Report - Creating a more dynamic and resilient economy

TO: Treasurer - The Hon Jim Chalmers MP

CC: Assistant Minister for Productivity, Competition, Charities and Treasury - The Hon Dr Andrew Leigh MP

KEY POINTS

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- The PC's interim recommendations focus on two areas:

1. Corporate tax reform to spur investment

- This includes lowering Australia's headline corporate income tax rate to 20% for companies with annual turnover up to \$1 billion, partly funded by introducing a new net cashflow tax of 5% for all companies (on top of the existing corporate income tax, including for companies over \$1 billion).
- The net cash flow tax would allow companies to deduct their full capital expenditure costs from their income in the year they are incurred, with the 5% tax rate applied to the (cash) profit. Debt financing deductions would also be excluded from the tax base. Losses under the net cash flow tax can be offset against corporate tax liabilities or carried forward and uplifted.

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Next steps

- The interim report seeks stakeholder input by 15 September on a range of issues, including:
 - the interaction between the proposed new net cashflow tax and Australia's dividend imputation system
 - the most appropriate way to tax the financial services sector under the proposed corporate tax reforms, given the challenges in imposing a cash flow tax (that does not tax interest income or allow deductions for interest expenses) on financial institutions

CONSULTATION

Corporate and International Tax Division, Competition and Consumer Policy Division, Macroeconomic Analysis and Policy Division, Financial System Division, Digital Policy and Corporations Division, Law Division

ATTACHMENTS

- A: Pillar 1 Inquiry – Interim Report
- B: Summary of recommendations

ADDITIONAL INFORMATION

Summary of the Pillar 1 Inquiry interim report

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Corporate tax recommendations

- Rec 1.1: Pivot the corporate tax system to a more efficient mix of taxes.
- Rec 1.2: Lower the headline company tax rate to 20% for Australian companies with turnover up to \$1 billion.
- Rec 1.3: Introduce a new net cashflow tax of 5% to be applied to net cashflows of all companies to fund the change in way that is more encouraging of capital expenditure than the current system.

Impact of proposed changes on different firm sizes

	Turnover < \$50m	\$50m-\$1bn turnover	Turnover > \$1 bn
Current system			
CIT rate	25%	30%	30%
NCT rate	n/a	n/a	n/a
Proposed system			
CIT rate	20%	20%	30%
NCT rate	5%	5%	5%
Example change in tax payable			
Impact to tax payable, <i>profits at required rate of return</i>	<i>Reduced tax payable</i>	<i>Reduced tax payable</i>	<i>Increased tax payable on existing investment. No change on new investment</i>
Impact to tax payable, <i>profits above required rate of return</i>	<i>(Lower) reduced tax payable</i>	<i>(Lower) reduced tax payable</i>	<i>Increased tax payable</i>