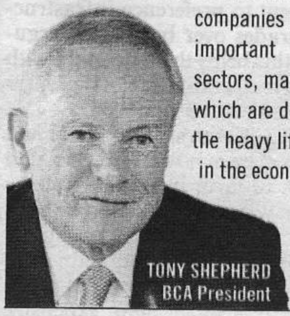
"The BCA could not support any of the savings options considered by the Business Tax Working Group because they either could not be accurately costed or they represented considerable risk to companies in important sectors, many of which are doing the heavy lifting in the economy."



TONY SHEPHERD
BCA President

ABA	■ Supports R&D cuts. ■ Supports reducing ability to write off more of an asset in its early years. ■ Supports reducing debt deductions of non-financial institutions.
ACCI	■ Rejects cuts to any business tax breaks.
Ai Group	■ Rejects R&D cuts. ■ Wants a broader range of funding options.
APPEA	■ Rejects removing fast write-off periods for oil and gas extraction and petroleum. ■ Rejects reducing diminishing value rate.
CPA	■ Rejects R&D cuts. ■ Supports reducing debt deductions over time.
ICAA	■ Rejects cuts to mining exploration deductions, depreciation. ■ Supports reducing debt deductions.
Property Council	■ Rejects cuts to debt deductions. ■ Rejects cuts to building depreciation rate.
Tax Institute	■ Wants broader funding options and reform. ■ Prefers R&D cuts for big business. ■ Discourages cuts to building depreciation.

SOURCE: SUBMISSIONS

R&D exemption expected

Tax reform

Katie Walsh

Cuts to tax breaks on research and development are not expected to be part of options put forward to pay for a lower corporate tax rate by the federal government business tax working group's draft report, which is expected this week.

Sources said the group might also defer tightening the thin capitalisation rules, which restrict interest deductions, as part of measures to fund a corporate tax cut.

The group had been expected to back curbing the ratio of allowable debt to equity from 3 to 1 to 2 to 1.

Another option the working group proposed in an August discussion paper was to cut the rate that businesses can write off assets under the so-called diminishing value method from 200 per cent to 150 per cent. The draft report will put forward recommendations and findings from months of business consultation ahead of a final report in December.

Speaking before a senate estimates committee late last week, Treasury head of revenue group Rob Heferen said that the working group's draft report was "imminent".

"We've had a number of consultations throughout August and into September. We're now in a position where . . . we're aiming to put a draft report out for comment."

He admitted some of the costings weren't as certain as was hoped, due to limitations on available data particularly in the area of thin capitalisation. While change to thin capitalisation was an option, Mr Heferen said: "we haven't come to finality on that."

The data used for original Treasury estimates of savings dated back to the 2010 tax year.

Businesses complained that they were undercooked and would result in a bigger than necessary restriction. "What a number of corporates said was, well, actually our corporate finance has changed significantly since that year," Mr Heferen said.

Business still needs lower company income tax to keep our economy competitive and support jobs and wages growth.

BCA president Tony Shepherd

"Other firms didn't fill out [the relevant ATO schedule], or accurately."

Treasury had since tried to get better information from corporates, he said, with the help of the Business Council of Australia and the Corporate Tax Association.

The BCA on Sunday again urged the government to look beyond using business tax concessions to fund a company income tax cut.

"As the Business Council's submission to the review pointed out, the terms of reference which required a company income tax cut to be funded from changes to other business tax arrangements would not deliver an overall benefit to the economy," president Tony Shepherd said in a statement.

"The Business Council could not support any of the savings options considered by the Business Tax Working Group because they either could not be accurately costed or they represented considerable risk to companies in important sectors, many of which are doing the heavy lifting in the economy.

"Business still needs lower company income tax to keep our economy competitive and support jobs and wages growth but this should be delivered as part of comprehensive tax reform not through actions which will make some companies in some sectors worse off at a time when they are already under serious competitiveness pressures."

The Australian Bankers' Association had split with other business groups in backing cuts to depreciation benefits and R&D tax breaks.

Cutting the corporate rate by 2 to 3 percentage points would cost the budget $3.8 billion to $5.6 billion a year by 2015-16.