



1 June 2015

Tax White Paper Task Force
The Treasury
Langton Crescent
Parkes ACT 2600
Lodged electronically: bettertax.gov.au

Dear Task Force,

AGL submission on Tax discussion paper

AGL Energy (AGL) welcomes the opportunity to make a submission in relation to the March 2015 Tax discussion paper *Re:think*.

AGL is an ASX100 company and is one of Australia's largest energy utilities, operating across the supply chain with investments in coal-fired, gas-fired, and renewable electricity generation and upstream gas exploration and production projects. AGL is Australia's largest private owner, operator and developer of renewable generation in Australia. AGL is also a significant retailer of energy, providing energy solutions to over 3.7 million customers in Victoria, New South Wales, South Australia and Queensland.

Positioning Australia for prosperity

AGL supports the reform of Australia's tax and transfer system to make it more sustainable, efficient and positioned to drive economic productivity into the future. It is critical that in aggregate, the tax system raises sufficient revenue to enable governments at all levels to deliver services that meet community needs and expectations. This requires resilience so that tax receipts can match expenditure now and into the future, noting that revenue sources and service requirements will change over time due to population demographics and structural changes to the economy (such as the easing of the mining boom). It is also important that the mix of taxes used to raise revenue is as efficient as possible, so that the associated economic costs are minimised.

The operation of the tax system should also facilitate greater productivity so that the economy can continue to grow, raising real incomes and living standards for all Australians. Australia needs to remain competitive to continue to attract foreign investment, which has been an important driver of past and present growth and prosperity. Improvements in labour utilisation and workforce participation are likely to be required. Australia's company tax rate is high by international standards, and its high economic cost relative to other forms of tax makes it a weight on the economy, with the costs ultimately borne by the broader population in the form of lower employment, lower wages and lower living standards.

The tax system should also encourage Australians to save, and to invest savings into Australian businesses which in turn contribute to economic growth, create jobs and build vital infrastructure. Dividend imputation credits provide incentives for Australians to invest in local, rather than international businesses. AGL also welcomes continued support for business innovation and investments in research and development. There may also be a role for taxation to play in supporting new industries to become established in Australia, to support jobs growth as the economy transitions, for example, to a carbon constrained future.

AGL agrees that there are also opportunities to simplify and streamline the tax system, which would clarify responsibilities and reduce the time and resources spent by businesses and individuals on managing tax affairs.

Equity of tax and transfer system

It is also important to ensure that Australia's tax and transfer system is fair, and takes into account the capacity of different members of society to contribute. Progressive taxation measures, such as the income tax system, are designed to ensure that those with higher levels of income and wealth pay a greater proportion of their income as tax, and receive fewer benefits through the transfer system. On the other hand, raising taxes via consumption taxes such as the GST and fuel excise are regressive, as low income households spend a greater proportion of their income on the goods and services which attract these taxes.

Any increase to the GST rate would make essential services less affordable (including gas and electricity), which would place further strain on low income households and other vulnerable customers. Customers on AGL's hardship program on average use much more energy than the average household, so would be particularly exposed to such a change. It is therefore important that any reform that involves the expansion of regressive taxes also includes complementary measures targeted to those on low incomes to ensure they not worse off overall. As an example, AGL encourages the Government to facilitate a wholesale review of the frameworks used across different jurisdictions to allocate assistance and concessions for energy users, to ensure that they are appropriately targeted in relation to customer need, appropriately designed (i.e. based on usage rather than a flat rate), and will provide appropriate levels of assistance into the future.

AGL also notes that a lack of housing affordability is generally the most significant factor for those in financial hardship, and policy and tax reform can help to alleviate this pressure.

Alternative transport fuels

Alternative fuels and technologies for transport, such as natural gas and electric vehicles, can reduce Australia's reliance upon imported petroleum as well as other benefits such as greater energy security, reduced air pollution and greenhouse gas emissions, and economic productivity improvements including domestic job creation, lower fuel costs, more royalty payments for governments, and improved utilization of existing energy infrastructure. AGL supports governments undertaking a review of policies along the supply chain of alternative fuels, including the application of fuel taxes and rebates, and fringe benefits taxes, to remove barriers and perverse incentives and appropriately value relevant externalities.

Closing remarks

Any meaningful and long-lasting reform to the taxation system will need to involve genuine engagement of the public, as well as stakeholders from all levels of government, the community sector and the business sector. All of these groups will need to contribute to building and agreeing the case for reform, as well as its overarching strategy and objectives. AGL welcomes a Tax White Paper process over the coming months based on these principles.

Should you have any questions or comments, please contact myself on (02) 9921 2516 or tanelson@agl.com.au or Fiona Orton on (02) 9921 2165 or forton@agl.com.au.

Yours sincerely,



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