



News

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Taxing times for Australia's overseas investors

- Global feedback says Australia becoming an unattractive option for international investment

Australia must seriously address its company tax rate and employment related taxes if it is to remain a viable choice for foreign companies looking to do business overseas, according to a new global survey.

The Grant Thornton International Business Report provides an overview of the concerns plaguing privately held business (PHBs). According to figures released today, more than three quarters (78%) of respondents have identified taxation as a significant factor in deciding the location for an operating base outside their own country.

“Considering the current global economic rollercoaster, business owners are extremely wary of the impact that tax management has on their bottom line. When setting up overseas they simply cannot afford the extra burdens placed on them by excessive and complicated foreign taxes,” explained Peter Godber, Grant Thornton Australia’s National Head of Tax.

Outside of the prospect of tax-free ‘holidays’, the main deciding factors for business owners when looking for an overseas location include:

- a low company tax rate (42%);
- the stability of the tax system they are investing in (42%); and
- the level of employment tax (31%).

At present, Australia is at the higher end of the global company tax scale with a rate of 30%. This is comparable to countries such as Italy (31%) and Japan (30%), but considerably higher than Singapore (17%) or Ireland (12.5%) – two island nations which, like Australia, are spending significant time trying to attract foreign inward investment. Peter Godber commented:

“With a higher company tax rate than the global average, Australia looks like a relatively unattractive place for businesses to invest - especially for powerhouse economies like Japan and the USA who see corporate tax as a key concern.”

“If Australia is serious about becoming more attractive to foreign companies, then we need to give investors assurance about what the future regime will look like, with as many incentives as possible to attract them. The Henry Review gives us an immediate opportunity to get our house in order, but there’s pressure to get it right. Our research reinforces that the company tax rate needs to remain at the top of the reform agenda – particularly as it’s not just Australian firms that will be watching and waiting.”

Other notable worldwide tax trends

Foreign investment is not the only issue getting international tax professionals hot under the collar. Employment related taxes have been ranked by PHBs across the globe as the second most burdensome tax in their own backyard, while for Australian business owners they are the prime concern.

“The cost of employing people is just too high in Australia. Between the mix of Federal tax on fringe benefits, compulsory superannuation contributions, State pay-roll taxes and workers compensation insurance, there are some hefty on-costs that employers have to deal with annually. We need to get better alignment between Federal and State imposts - because as overseas companies more closely scrutinise our tax system, they will no doubt see the serious financial impact that being an employer in this country has on the bottom line.”

National tax heads from across Grant Thornton International are also warning of increasingly aggressive moves by domestic revenue authorities, which have been tasked with collecting as much money as possible by their increasingly indebted Governments.

“We all have concerns about the growing enforcement activity that we’re witnessing around the world”, said Godber, just returned from Grant Thornton International tax summit in Montreal. “Australian businesses are already feeling the effects of an increased emphasis on compliance, but the impact could be even sharper on those firms already operating overseas. Countries like India and China are reviewing all their concessions, tightening eligibility and closing loopholes, which could soon start to bite companies operating in these markets. The message is clear – all businesses with foreign operations need to get on-the-ground tax risk management advice, fast, to ensure they’re not caught out in this new, harsher climate.”

- Ends -

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Notes to Editors

The table below highlights the top tax burdens internationally (figures available on request):

Business profits	Employment related taxes	Personal Income taxes	Indirect taxes	Gains made on selling a business	Wealth tax	No burdening taxes
Japan	France	Denmark	Taiwan	Mexico	Philippines	Hong Kong
Italy	Sweden	Finland	Russia			
Malaysia	Poland	Netherlands	Argentina			
Vietnam	Brazil	United States *	Armenia			
United States*	Germany	Canada	Thailand			

New Zealand*	Australia	New Zealand*	Chile			
South Africa	Turkey		Botswana			
Greece	Belgium		India			
Mainland China	Ireland					
Spain*	Spain*					
Singapore	UK*					
UK*						

*Refers to countries where respondents are equally split about the most constraining tax burden

The International Business Report

Grant Thornton International started a major annual survey of the attitudes and expectations of small and medium-sized businesses in 1992 called the European Business Survey (EBS). In 2003 the research project was widened to an international perspective covering medium-sized businesses and renamed the International Business Owners Survey (IBOS).

In 2007, the survey's name was changed from IBOS to the International Business Report (IBR). The IBR survey draws upon 17 years of trend data for original EBS participants and 7 years for original IBOS countries. The 17 year trend data is available for: France, Germany, Greece, Ireland, Italy, Netherlands, Spain, Sweden and the United Kingdom, while the 7 year trend data is available for Australia, Canada, Hong Kong, India, Japan, Mexico, Russia, Singapore, South Africa and the United States.

Grant Thornton International will donate US\$5 to UNICEF for every completed IBR questionnaire. In 2009, this will result in a donation of almost US\$36,000.

The research was conducted by Experian Business Strategies Limited. To find out more about IBR and to obtain details of the IBR Tax Report please visit www.internationalbusinessreport.com.

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