

REDUCING THE COMPANY TAX RATE

The Government will provide Australia with an internationally competitive company tax rate of 30 per cent.

Key features

The company tax rate will be reduced to 34 per cent for the 2000-01 income year and to 30 per cent from the 2001-02 income year.

This rate will also apply to other entities taxed like companies, such as trusts, from 1 July 2001.

Because of the company tax rate changes, imputation credits attached to franked dividends paid to shareholders will be based on a 34 per cent rate for the 2000-01 income year and 30 per cent for the 2001-02 income year and subsequent years. The value of existing franking account balances will be preserved by converting them to the equivalent franking account balance at the new rates.

Commencement

The reduction in the company tax rate takes effect from the beginning of the relevant income year. Company tax instalments will be automatically adjusted by the ATO under the Pay As You Go (PAYG) system to reflect the lower company tax rates (this modifies Recommendation 11.9 of *A Tax System Redesigned* that proposed no adjustment before 1 July 2000).

Current arrangements

The current company tax rate is 36 per cent.

Why change is needed

A 30 per cent rate of company tax will be internationally competitive and bring Australia's rate more into line with the rates of other countries in the Asia Pacific region. This will increase Australia's attractiveness as an investment location, strengthening Australia's prospects for investment and economic and jobs growth.

An Internationally Competitive Company Tax Rate

