

# Company tax burden too high

Australia's corporate tax regime is quickly becoming uncompetitive and may act as a brake on economic growth if it is not brought into line with its competitors, says the Business Council of Australia (BCA).

The BCA's report, *Corporate Taxation – An International Comparison*, released towards the end of last year, compared the overall tax burden on companies in Australia with major competitors, including key trading partners, countries that are a source of foreign direct investment, other Asia-Pacific economies, the European Union and OECD nations. The findings showed that Australia had the highest corporate tax burden across every relevant global comparison.

Australia's headline corporate tax rate is often used as a leading indicator of tax competitiveness. However, the BCA report argues that the total tax burden on companies is the more important indicator of Australia's competitiveness, given that it reflects the total tax take extracted from companies' balance sheets.

Regardless, the BCA report found that Australia's competitiveness, measured using the headline corporate tax rate, was deteriorating and that Australia's overall tax burden on companies was significantly higher than every other country, except Norway and Luxembourg.

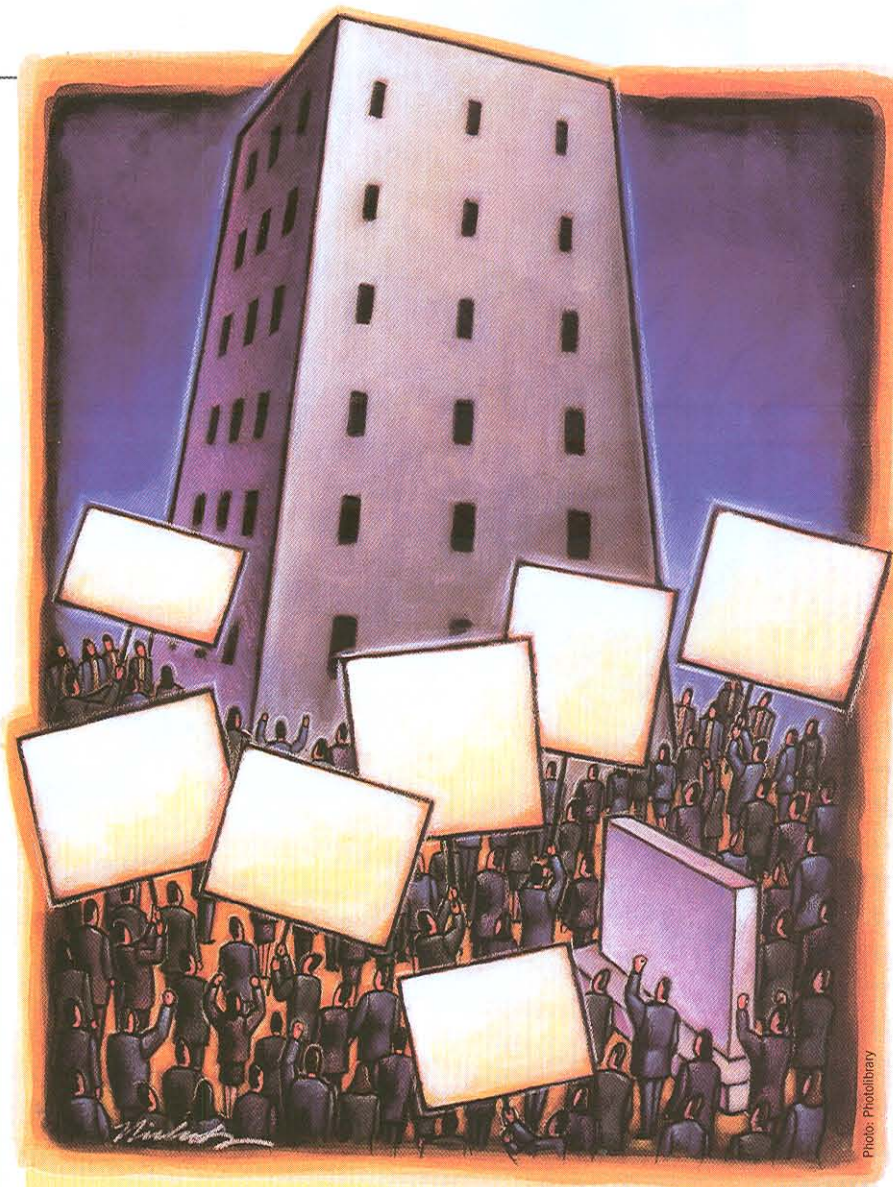


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## Corporate governance reforms announced

Following an extensive consultation process, the Parliamentary Secretary to the Treasurer, the Hon Chris Pearce, has announced that the Government will proceed with legislative reforms to improve rules for shareholder meetings. Included in the reforms is the Government's intention to remove the '100 member rule', which requires companies to hold expensive special general meetings at the request of only 100 shareholders. This is in addition to reforms requiring proxy holders to vote in accordance with shareholder instructions, and to facilitate electronic circulation of resolutions and members' statements. The Government has indicated, however, that it will not proceed with proposals to reduce the threshold requirements for shareholders to propose members' resolutions and members' statements.

The impact of the reforms on shareholder participation will be monitored and reviewed in a period of three years time.

## From picket line to boardroom

A new research report by the University of Melbourne's Centre for Corporate Law and Securities Regulation has highlighted that while the influence of trade unions on the shop floor may have diminished, their strength in the boardroom is growing.

The report, *From the Picketline to the Boardroom*, reveals that unions are engaging in a new phase of activism – utilising their power as shareholders to pursue industrial relations (IR) issues and employee interests – that may force changes to boardroom behaviour in 2006. Most commonly, unions have exercised their clout by both lobbying shareholders to support 'vote no' campaigns related to resolutions proposed by directors and by posing questions at AGMs.

The report also highlights that, to bring pressure to bear on company boards and directors and to secure the support of other shareholders, unions have focused not only on employee interests when putting resolutions forward to be voted on at shareholder meetings, but also on traditional corporate governance issues such as executive remuneration and the independence of directors.

It remains to be seen what impact the Government's recent scrapping of the '100 member rule' will have on the ongoing influence of union shareholder activism at AGMs. Also worth questioning is whether, with the role of trade unions under labour law being reduced by the new WorkChoices legislation, unions will make even greater use of their position as shareholders to pursue IR issues?