



Australian Government  
Productivity Commission

 [pc.gov.au](https://www.pc.gov.au)

Pillar 1

# Creating a more dynamic and resilient economy

Consultation questions | May 2025



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# Creating a more dynamic and resilient economy

*We are examining policy options that will incentivise investment, make the business environment more productive and foster entrepreneurship and innovation.*

We are asking you for feedback on our approach so far to **Pillar 1: Creating a more dynamic and resilient economy**.

After reviewing the ideas submitted through [Australia's Productivity Pitch](#) and undertaking our own research and stakeholder consultation, we have identified two policy reform areas in this pillar to explore further.

For each reform area, we will:

- recommend specific reforms
- seek to quantify their benefits (where possible) and
- suggest how the reforms can be implemented.

<p><b>Support business investment through corporate tax reform</b></p> <p>A more effective corporate tax regime can help Australia attract foreign capital, and spur businesses to invest, innovate and improve labour productivity.</p>	<p><b>Reduce the impact of regulation on business dynamism</b></p> <p>Reducing excessive or inappropriate regulation can unshackle business and enhance business dynamism and productivity.</p>
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## Why is a dynamic and resilient economy important?

We care about dynamism and resilience because they improve our quality of life. Policy settings that foster a dynamic and resilient economy:

- drive competition, reduce prices and improve product quality
- support innovation and investment
- enable businesses and workers to readily respond to changing economic conditions.

### Key concepts

A **dynamic economy** is an economy that is competitive, innovative and adapts to change. It is an economy where firms and individuals invest, learn, innovate and thrive. It enables new firms to enter markets and challenge incumbents and facilitates people moving to better jobs.

A **resilient economy** is an economy that withstands or recovers from economic shocks quickly and without long-term negative impacts.

We know that reforms across all 5 pillars will, in some sense, work towards creating a dynamic and resilient economy. So, for this pillar we have focused on identifying broader, whole of economy, reform areas that underpin our objectives of dynamism and resilience.

## **What are the pillars of productivity?**

In 2024, the Australian Government asked us to identify the highest priority reform areas under 5 pillars of productivity:

1. Creating a more dynamic and resilient economy
2. Building a skilled and adaptable workforce
3. Harnessing data and digital technology
4. Delivering quality care more efficiently
5. Investing in cheaper, cleaner energy and the net zero transformation.

We will deliver practical and implementable policy ideas across the 5 pillars at the end of 2025.

**Sub-page – Policy reform area**

## **Support business investment through corporate tax reform**

An improved corporate tax system can help Australia attract foreign capital, spur businesses to invest, enter new markets, innovate and improve labour productivity. This helps improve living standards, and helps Australia become a more dynamic and resilient economy.

Gross fixed capital formation (such as additional factories, machinery, and equipment) has declined over the past decade, and non-mining private sector investment as a share of GDP has fallen approximately 3 percentage points since 2009. This means there is less capital available for workers to use, which contributes to Australia's stagnant productivity growth.

The way companies are taxed is a key determinant of businesses' investment decisions and their willingness to innovate. Australia would benefit from a simpler and more efficient tax system. This would improve after-tax returns available to businesses and support investment.

A range of Australian tax reviews, academics, think tanks, and international institutions have repeatedly pointed to the economic costs of existing company taxation and recommended changes to Australia's corporate tax arrangements (Henry Tax Review [2010](#); Treasury [2012](#), [2015](#); IMF [2018](#); OECD [2021](#)).

Effective company tax rates can be changed in a variety of ways. These include changes to tax rates themselves, or changes to the company tax base.

### **Our approach**

In this inquiry we will evaluate options to support business investment and productivity growth through changes to Australia's corporate tax arrangements. The inquiry will also consider the importance of fiscal neutrality, and the extent to which options are consistent with achieving an efficient and equitable tax system that aligns with desirable long-run directions for the corporate tax system.

We will undertake a thorough assessment of these options, and their relative effects on business investment, productivity growth, company tax revenue and overall tax revenue.

We welcome input to help us develop a full understanding of each of these issues.

## Sub-page – Policy reform area

# Reduce the impact of regulation on business dynamism

Regulation can help to achieve important economic and social objectives, but excessive or inappropriate regulation can stifle business dynamism, resilience and productivity.

Reducing regulation, if done judiciously, can lower costs of doing business, allow more firms to enter the market, lower prices for consumers and support innovation. For more than a decade we have heard that the burden of government regulation has increased, and we have an opportunity to shift regulatory focus towards growth outcomes.

All regulations have costs and benefits. Good governance involves only introducing new regulations when the expected benefits exceed the expected costs and when this net benefit is larger than that of other options. Good governance also involves taking into consideration the cumulative burden of existing regulation, by taking into account the whole stock of regulation imposing a burden on business. It should drive governments to repeal or alter regulations when their benefits do not exceed the costs.

## Our approach

In this inquiry, we will examine how Australia regulates businesses, including the institutional processes for introducing new regulation and how existing harmful regulation could be improved or removed.

We will look at:

- the arrangements for introducing new regulation, how to reduce the burden of existing regulations, consideration of the cumulative burden of regulation, and ways to streamline and harmonise regulation across state and territories
- the Policy Impact Analysis process ([2023](#)), which is a key mechanism for assessing proposed Australian Government regulations
- the Australian Government's [regulatory reform agenda](#), which also involves state and territory governments.

The inquiry aims to propose changes to the current institutional arrangements and existing regulations, while not sacrificing the important objectives that regulation aims to achieve. The intent is for businesses to be able to devote less time and fewer resources to dealing with regulation, and to focus more on growth and innovation, while ensuring businesses can readily adapt to changing market conditions.

While this inquiry is not an audit of the effects of all existing regulations, we welcome examples of existing regulations that are particularly harmful to dynamism and productivity, information on the burden of this regulation on business relative to its stated benefit, and information on how these regulations came into effect.

Sub-page – Consultation page with online form

# Have your say on a more dynamic and resilient economy

## Section 1. About you and/or your organisation

### Your details

#### Contact information

1. Name
2. Email
3. Phone
4. Postcode
5. May we contact you about your response?
  - Yes
  - No

*If yes:*

6. How would you prefer we contact you?
  - Email
  - Phone
  - Other (please specify)

#### Attribution

7. Whose views does your response represent? (Please include the full names of applicable individuals, groups or organisations).

*This can be the name of one or more individuals (including yourself), or the name of one or more organisations. Ensure that you have permission to attribute the submission to all individuals/organisations named.*

8. Do any of the attributed parties identify as Aboriginal or Torres Strait Islander/are any identified organisations an Aboriginal and/or Torres Strait Islander organisation?
  - Yes
  - No
  - Prefer not to say

*Under the National Agreement on Closing the Gap, an Aboriginal and Torres Strait Islander organisation (other than an Aboriginal and Torres Strait Islander community-controlled organisation):*

- is a business, charity, not-for-profit organisation, incorporated under Commonwealth, state or territory legislation*
- has at least 51% Aboriginal and/or Torres Strait Islander ownership and/or directorship and is operated for the benefit of Aboriginal and Torres Strait Islander communities.*

## **Consent**

### **9. Do the attributed parties consent to the PC publishing your response on our website and referring to it in our reports?**

- Yes, with attribution
- Yes, without attribution
- No, do not publish my response or refer to it in your reports

*We will only publish your response if it meets our community guidelines. We are unable to refer to unpublished responses within our report.*

*For further information on how we handle your information visit our Privacy Policy and Information Policy.*

### **10. Guidelines and policies agreement**

- I have read and agree to the above guidelines and policies.

## **Providing supporting documents (optional)**

At this stage of the inquiry, we are only accepting and reviewing supporting documents that meet the following criteria:

- They contain data, charts and supporting information relevant to the policy areas and questions we are asking in this round of consultation
- The attributed participant(s) hold the copyright for the information contained in the documents
- The documents don't include any personal or identifying information.

There will be an opportunity to provide submissions on our policy reform ideas when we release our interim report.

### **11. Will you be providing any documents to support your response?**

- Yes
- No



### How to provide a supporting document

Once you have submitted your response via the 'Submit' button below, you will receive a confirmation email from us. Please reply to this confirmation email with your supporting documents attached.

For accessibility reasons, we prefer Microsoft Word documents.

Once we receive your supporting documents, we will review them alongside your response. If your contributions meet our [community guidelines](#), and you have provided consent, we will publish them to [engage.pc.gov.au](https://engage.pc.gov.au) within 14 days.

### We are seeking responses to questions on two policy reform areas.

Which policy reform areas would you like to respond to?

- **Support business investment through corporate tax reform**

A more effective corporate tax system can help Australia attract foreign capital, and spur businesses to invest, innovate and improve labour productivity. We are interested in your views on how to encourage investment in Australia through the tax system.

- **Reduce the impact of regulation on business dynamism**

Reducing excessive or inappropriate regulation can unshackle business and enhance business dynamism and productivity. We are interested in your experience with regulation, both good and bad.

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## Section 2. Support business investment through corporate tax reform

Private sector investment as a share of GDP outside of mining has fallen approximately 3 percentage points since 2009. This is contributing to Australia's stagnant productivity growth.

In this question, we want to hear your views on what has encouraged or restrained investment in Australia over the past 10 years.

### 1. What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

[long text]

### 2. What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

[long text]

Tax systems come with compliance costs. The more complex the tax system, the higher these costs tend to be.

In this question, we want to understand what aspects of the tax system you think are unnecessarily onerous, costly or complex. We also want to hear your views on how the compliance burden can be reduced.

- 3. Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the corporate tax system be reduced?**

[long text]

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### **Section 3. Reduce the impact of regulation on business dynamism**

All regulations have costs and benefits. Good governance involves only introducing new regulations when the expected benefits exceed the expected costs and when this net benefit is larger than that of other options.

In the first question, we want to hear your views on what regulations are good for business dynamism and resilience.

- 4. What areas of regulation do you see as *enhancing* business dynamism and resilience? What are the reasons for your answer?**

[long text]/

For more than a decade we have heard that the burden of government regulation has grown. This is limiting businesses' ability to use resources efficiently, innovate and grow.

In the next questions, we want to hear your views on different problematic regulations you may have experienced or observed, and whether the problem has gotten worse over time.

- 5. How has your regulatory burden changed over time?**

[long text]

*If possible, provide specific examples of changes over time in:*

- *compliance cost and effort*
- *the share of senior management or board time dedicated to regulatory compliance*

- 6. What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?**

[long text]

- 7. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?**

[long text]