6 June 2025

Via: Online Portal

Woolworths Group submission to Productivity Commission Pillar 1 Consultation - *Creating a more dynamic and resilient economy*

Dear Sir/Madam,

Woolworths Group Limited (**Woolworths)** welcomes the opportunity to make comment on the Productivity Commission's (PC) consultation, *Creating a more dynamic and resilient economy* (**the consultation**).

We are Australia's largest private sector employer, with more than 178,000 hard working Australian team members who service more than 20 million Australian customers every week across more than 1,250 Woolworths Supermarkets, Metro Food Stores and BIG W Discount Department Stores. We also offer a range of consumer services, including telecommunications and insurance, operate Everyday Rewards which has 14 million members, and own WPay, the largest non-bank acquirer of card payments in Australia.

Summary of Woolworths' key feedback

We support the PC's focus on providing quality advice to the Australian Government on economic, social and environmental issues. Productivity is essential to our continued shared success and the economic prosperity of Australia. We also note that Woolworths is a significant tax payer, having paid over $5.1 billion in federal and state taxes over the last five years, reflecting the 30% corporate tax rate and state-based taxes. In addition, we paid $5.7 billion in dividends to our 370,000 shareholders, over 98% of whom are Australian. In line with this, we have a strong focus on enhancing efficiency and innovation across our operations.

As Australia's population grows, we are investing in a significant pipeline of future stores and facilities - delivering convenient shopping experiences, meaningful local employment opportunities and a positive impact on surrounding small businesses. We have spent $2.45 billion over the last five years in new and upgraded stores, building a more resilient supply chain network and new eCommerce facilities. We are continuing to invest in a reliable and resilient food supply chain, with a further $3.25 billion planned in our five-year pipeline.

It is in this context, we provide the following comments:

- Meaningful tax reform has the ability to substantially boost business confidence and investment in the Australian economy, ultimately benefitting consumers. Any tax reform requires the meaningful input of administrators of regulations. Different regulatory agencies may take different views in how they administer the law, creating uncertainty and duplication for Australian businesses.

- The PC should consider how the National Cabinet can be used to reform the State-based tax base, which is inconsistent and hence burdensome for national businesses.

- Planning and zoning reform has the ability to promote business dynamism, support the development of new retail and commerce precincts and support local businesses.

Specific comments on these key themes are detailed below.

Feedback on focus areas

Impact of regulation on business dynamism

Well shaped regulation advances and protects the interests of Australians and we note the targeted and proportionate use of regulation promotes compliance and accountability. However, a significant challenge to how regulation can effectively advance and protect the interests of community and business, is its complexity. As noted in Report 807, prepared for the Australian Securities and Investment Commission's February 2025 review into the declining number of new entrants into Australia's public markets, it has been *observed that regulatory burdens on public companies have increased in the last twenty-five years*[1].

There is a growing burden of regulatory accumulation that weighs on Australian businesses. This is further compounded by interpretation of how the law is administered. Examples include:

- **Uncertainty in relation to the interpretation of where GST is applied** to certain "food" items creates a significant compliance burden for food and grocery businesses as to how and where GST should be applied. Taxpayers face consistent changes through new ATO guidance and determinations to implement into their GST processes and controls, which are particularly prominent in the high-volume, low transaction value food and health sector. The detailed nature of methodology currently used to determine GST eligibility also requires significant resources to be committed by businesses dealing in food products to comply.

- **The complexity of navigating the RDTI.** R&D is the backbone of innovation, driving the creation of new industries and supports a resilient and dynamic economy. However, the restrictive definition of R&D under Australia's tax law and the costs associated with regulatory compliance to the scheme, often outweigh the benefit of investing in RDTI eligible activities.

Recommendation 1: The PC, as part of its interim report, to recommend proposals for tax reform, both as discrete measures the government could adopt and as a comprehensive tax strategy. As part of this broad based reform, the PC should review current settings round depreciation on business investment, GST (particularly in relation to "food" products) and RDTI.

State-based taxes

Regulatory costs imposed on businesses adversely impact our ability to keep business costs sustainable. Frameworks that are inconsistent or vary between jurisdictions disadvantage Australian businesses. We note significant variations in the rate of taxes including payroll, land tax and stamp duty by State and Territory jurisdiction, potentially impacting the creation of job opportunities. The cumulative impact of these varying rates of taxation is an impact to the economic dynamism of those state economies - meaning it may be more difficult to make new investments financially viable.

[1] REP 807 Evaluating the state of the Australian public equity market: Evidence from data and academic literature, p.25

> **Recommendation 2:** The PC consider how the National Cabinet can be used as a vehicle to drive State and Territory based tax reform and harmonisation.

Planning and zoning reform - supporting dynamism for existing businesses and new entrants

We recognise essential infrastructure aligned with much-needed increased housing supply is a central focus for the Government and the community. We note the Government's target to build 1.2 million new homes over the next five years - growth which will require new retail infrastructure, including supermarkets, to support those communities.

We are often a first mover in providing important retail infrastructure to support new, growing communities, with over two third of our own developments located in new communities in greenfield areas. These developments also act as an anchor for activity for surrounding small businesses. One example is Riverway Plaza near Townsville, where our store opened in 2021, leading to a 16% increase in spend at nearby food and dining destinations, including many small businesses - more than 2.5 times the QLD average for the same period.

The delivery of supermarket stores can be long and challenging, and our own experience is that it is common for sites to take seven years to develop into an operating supermarket. Variables which affect the timing of development include the need to acquire and amalgamate smaller parcels of land, population growth, lengthy approval processes and construction delays caused by escalating contribution costs.

This makes an efficient planning system critical in the value chain of a development. Reforming planning systems should continue to be viewed as a national priority through National Cabinet to drive productivity growth. State planning systems should reduce the time taken to receive government agency referrals, feature greater clarity and certainty from planning panels and streamline pathways for development to support greater efficiency. More efficient planning systems would also support investment in new developments, including from smaller operators and new entrants.

> **Recommendation 3:** The Commonwealth continues to engage with the States and Territories to review planning and development approval processes through the National Competition Policy to boost efficiency and consistency, to benefit smaller operators, new entrants and existing businesses alike.

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We appreciate the time and effort the Productivity Commission has taken to review our submission on this important matter. We also note that the PC intends to publish an interim report in coming months. We look forward to reviewing the publication of this material and welcome the opportunity to contribute further to this process and in the implementation of practical and scalable reforms.

If you would like to discuss any aspect of this written submission, please contact Ryan Mahon, Government Relations & Industry Affairs Manager via

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