Submission to the Productivity Commission

Creating a More Dynamic and Resilient Economy (Pillar 1)

Executive Summary

This submission responds to the Productivity Commission's interim report on Creating a More Dynamic and Resilient Economy (Pillar 1) from a citizen's perspective. It acknowledges the Commission's focus on corporate tax reform and regulatory design, while stressing that resilience must precede dynamism.

The submission argues that fairness and proportionality are central: citizens and locally anchored enterprises contribute fully, while multinational corporations, designed to maximise shareholder value, often contribute only partially. Policy must recognise these different natures of actors and ensure value extracted is reinvested proportionally into the systems that enable prosperity — infrastructure, rule of law, workforce, environment, and civic trust.

Key recommendations include:

1. Segmenting tax reform by anchored versus mobile actors.
2. Tying concessions to demonstrable reinvestment.
3. Simplifying compliance for small enterprises.
4. Prioritising resilience in measurement frameworks.
5. Urgently funding regulatory capacity to prevent capture and navigate future complexity.

The core message is simple: taxation is a civic instrument. Its purpose is to reinvest in the public good so that dynamism can flourish upon a foundation of resilience.

Introduction — A Citizen’s Lens

I write as a private citizen, not from a lobby or sectoral standpoint. My concern is with the balance between resilience and dynamism, and with how the tax and regulatory systems shape trust, fairness, and the lived experience of households, communities, and enterprises.

Australia offers something rare in today’s world: civic stability, the rule of law, and peaceful conditions. These are not incidental — they are the national assets that underpin every investment. They form the terms of engagement we extend to those who choose to operate here. The task before us is to ensure that our systems of taxation and regulation reflect this civic compact.

The Foundations of National Prosperity

National prosperity rests on shared foundations. Citizens and locally rooted enterprises contribute openly and in full, because their income and activity are wholly visible to the tax system. Multinational corporations, by contrast, can sometimes draw heavily on these foundations while contributing back only in part — using deductions, structuring, or shifting profits abroad.

The result is imbalance: those least able to shift their obligations bear the most dependable burden of maintaining the very systems on which all actors rely. Headline GDP may show growth, but if the foundations are weakened by disproportionate extraction, the structure above becomes fragile and resilience is lost.

The Nature of Corporations

Corporations are not citizens. They are legal entities designed with a singular duty: to maximise shareholder value. For listed companies, that obligation is explicit in law; for superannuation funds, it is their very reason for existence — to maximise members ’ retirement savings. Their governance structures and fiduciary duties align around this narrow objective.

Incorporation, whether small or large, grants limited liability — a privilege not afforded to sole traders or partnerships. But the obligations diverge: a locally anchored proprietary company is not the same as a listed multinational with diffuse ownership and global reach. It is the latter, designed to maximise shareholder value above all else, that most stretches the civic compact.

This means corporations cannot reliably act in the interests of civic duty or social cohesion, even if they wished to. Their purpose is built to extract value and allocate it to shareholders, many of whom are dispersed across the globe. We cannot expect them to behave otherwise.

The responsibility therefore lies with government. It is not enough to appeal to corporate conscience. The state must design terms of engagement that ensure extraction is balanced with contribution. When profits are generated on Australian shores, proportional taxation is the mechanism by which value is recycled into the very systems — infrastructure, rule of law, stability, workforce, and environment — that made those profits possible.

Without this balance, the burden falls disproportionately on citizens and smaller enterprises, whose obligations are less flexible but whose contributions are essential to maintaining resilience.

Boundaries and Proportionality

The distinction to be drawn is not between 'Australian 'and 'non-Australian, 'but between actors that are anchored and those that are mobile.

Citizens and locally owned enterprises are embedded in this country; their futures are tied to its wellbeing. Multinationals are mobile, realising shareholder value elsewhere while benefiting from the amenities provided here.

For anchored actors, flexibility and support can be extended — because their contributions remain within the national system. For mobile actors, proportionality is essential: the greater the value extracted, the greater the contribution required.

This is not about favouring one over the other, but about designing a system that recognises different natures of actors and maintains trust in the fairness of the whole.

Trust and Fairness

Citizens are fully visible to the tax system: wages, savings, and household enterprises are taxed in full. Corporations, by contrast, operate on a sliding scale. Deductions, offsets, and cross-border structures mean only part of their activity is captured domestically.

This creates the perception — and the reality — of two standards. People see their labour funding essentials while large firms appear able to contribute variably. Trust erodes. And when trust erodes, the foundations of resilience weaken.

Resilience Before Dynamism

The interim report rightly emphasises investment and productivity, but resilience must come first. Without it, dynamism is brittle.

Resilience means contributions are fairly shared, revenues are visibly reinvested, and living standards are protected. Only when people feel their labour serves a shared purpose will they have confidence to innovate and invest.

Its purpose is to reinvest in the public good so that dynamism can flourish upon a foundation of resilience.

Beyond Linear Logic

Much tax reform is guided by computable general equilibrium (CGE) models and other linear frameworks. These are useful for modelling flows of capital and labour, but they cannot capture the human variables: trust, resilience, civic responsibility, generational fairness, and environmental stewardship.

The landscape we face today is not the same as when these models were first designed. Global capital mobility, ecological limits, digital concentration, and inequality require us to expand the assumptions built into our instruments of taxation and measurement.

If taxation is to serve this generation and the next, it must measure not only flows of investment but also the conditions that give those investments legitimacy: whether contributions are proportional, whether living standards are maintained, and whether the environment is protected.

Regulatory Capacity and Resilience

The Commission's own survey of regulators confirms what has long been evident: even with frameworks such as Regulatory Impact Analysis, most regulators feel they lack the tools and resources to manage regulation effectively. Over decades, systems have been patched to close loopholes or respond to failures, leaving a web of complexity that is difficult to interpret and costly to police.

The deeper problem is not simply the proliferation of rules but the hollowing out of regulatory capacity. The very best tools and minds have not been consistently available to regulators. In many cases, skilled staff are drawn away to the private sector, and data systems are left fragmented and underfunded. Without investment in oversight capability, the regulatory environment will continue to be fragile, reactive, and vulnerable to capture.

If resilience is to be rebuilt, this gap must be addressed urgently. Funding regulators properly, equipping them with modern analytic tools, and attracting expertise are not costs — they are safeguards. Oversight is what ensures that dynamism does not tip into abuse, and that complexity can be navigated with confidence. A resilient regulatory system is essential to adapt to the future, manage emerging risks, and maintain trust.

Limits of the Growth Story

The Commission's own modelling indicates that its proposed company tax changes would increase investment by around 1.6% (about $7.4 billion), raise GDP by about $14.6 billion (roughly 0.5%), and lift labour productivity by 0.4%, in a broadly revenue-neutral way. These are measurable but modest gains when weighed against the scale of concessions extended to corporations.

For context on the scale of today's corporate dynamics: recent market data place some individual firms 'valuations in the multi-trillion-dollar range, while Australia's nominal GDP is around US$1.75 trillion (2024). Australia's superannuation system also stewarded about $4.1 trillion as at March 2025. These scale optics do not negate reform, but they underscore why proportionality and reinvestment conditions matter: citizens cannot access concessions of comparable magnitude, yet they bear the dependable burden of funding essentials.

Recommendations

1. Segmenting tax reform by anchored versus mobile actors.
2. Tying concessions to demonstrable reinvestment.
3. Simplifying compliance for small enterprises.
4. Prioritising resilience in measurement frameworks.
5. Urgently funding regulatory capacity to prevent capture and navigate future complexity.

Conclusion — A Public Good Legacy

Taxation is not simply a technical adjustment of rates; it is a civic instrument. Its purpose is to pool contributions so that essentials are safeguarded, resilience is upheld, and dynamism has a stable platform on which to grow.

The Productivity Commission has an opportunity to frame reform not only in terms of efficiency, but in terms of fairness, resilience, and civic trust. If reforms can distinguish between actor types, tie concessions to reinvestment, and treat resilience as the base, then this pillar will leave behind a legacy worthy of the public good.