14 September 2025 – Submission to the Productivity Commission Inquiry into *Creating a more dynamic and resilient economy*

Company tax system reform – more research and analysis into corporate reinvestment and foreign investment incentives needed

With respect to the report's research and analysis into the corporate tax proposal there is a lack of first hand research and analysis on corporate reinvestment of earnings aside from a quoted analysis from AlphaBeta, which "found that, on average, 27% of additional profits generated by the 2015-16 tax rate cut were reinvested (AlphaBeta 2018)." This analysis suggests that current policy settings do little to incentivize reinvestment of corporate earnings into local infrastructure, research and development or local workforce development. Further research and analysis could yield further insights into corporate reinvestment behaviour, which could be important to improve the performance of the corporate tax proposal.

In relation to foreign investment, a lower statutory tax rate may not be enough to attract the right foreign investment into Australia, particularly if Australia is looking to grow advanced and high tech industries. Many of these industries require highly skilled workers which Australia does not readily have in its workforce pipeline. This is where migration policy should be harnessed to support and bridge that gap. The right infrastructure, systems and incentives in place to capture capital deepening benefits to the local economy, knowledge spillover and domestic talent cultivation.

Regulating to promote business dynamism – reform priorities need to be reshaped

Modernisation of regulatory stewardship is being hindered by outdated review and decision structures, fragmented tools, and a lack of clarity around regulatory review procedures. Rigid decision and review hierarchies not only create disincentives to consultation and engagement for better informed regulatory policies but also dampen feedback loops needed for innovation and continuous improvement, undermining regulatory stewardship.

Whilst the report suggests that there is more of a "need of reform are the culture and architecture around decision making rather than the tools and procedures themselves", it has been made quite clear from the responses obtained from the survey of regulators and policymakers in the report clear deficiencies and limitations of existing tools, support, capabilities and resources to enable effective management of the regulatory system and meeting regulatory objectives. A focus on culture and architecture in my view, is a failure to consider the broader ecosystem requirements for the regulatory system to perform well. I think it is also a missed opportunity for investment in innovative tools and procedures to support modernization and digitization of information, data and knowledge management systems, and streamlining decision governance hierarchies for more efficiency.

Furthermore, the report inaccurately describes the Impact analysis framework as a "tool" and "procedure".

The report says that "Impact analysis is the right tool, but we are not using it well." The report already mentions the difficulty of quantifying impacts and provides evidence where impact analysis with respect to regulatory burdens is regularly supported and supplemented by qualitative evidence of impacts. A systematic review underpinned by a co-design approach of the current framework and guidance on where it works well, and doesn't work well to support an informed impact analysis. This can lead to more agile decision-making, stronger stakeholder engagement, and enhanced regulatory stewardship through increased sense of ownership.

Finally, better feedback mechanisms built into current governance structures could help address the challenge of disincentives and poor intrinsic motivation to collaborate better between regulators and policymakers, and their industry counterparts. Investment in modern collaboration and communication tools, AI and better IT infrastructure can help to flatten and modernize governance hierarchies that add to regulatory burden costs and delays.