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Australia Proposes Bold Business Tax Cuts

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The Australian Productivity Commission (PC) has unveiled sweeping tax reform proposals designed to stimulate business investment while maintaining budget neutrality. The interim report recommends cutting corporate tax rates by up to 10 percentage points for companies earning under \$1 billion annually, alongside introducing immediate capital expenditure deductions through an innovative 5% net cashflow tax.

These measures aim to boost GDP by an estimated \$14 billion without increasing the federal deficit.

Under the PC's draft plan, small businesses with turnover below \$50 million would see their tax rate drop from 25% to 20%, while mid-sized firms (\$50 million-\$1 billion) would benefit from a 30% to 20% reduction. The reforms specifically target productivity growth by allowing full upfront deduction of capital investments a radical shift from current depreciation rules. "This creates powerful incentives for business expansion without compromising revenue," explained Dr. Alex Robson, PC Deputy Chair.  cashflow tax alone could generate \$8 billion in additional investment.

The proposed changes arrive as Australia faces sluggish productivity growth and global economic headwinds. By concentrating relief on small and medium enterprises (SMEs), the plan acknowledges their disproportionate role in job creation and innovation. The retention of 30% rates for large corporations ensures the package remains revenue-neutral, addressing fiscal sustainability concerns. Industry groups have welcomed the focus on capital investment, though some question whether the measures go far enough to compete with international tax regimes.

This tax overhaul represents Australia's most significant economic reform proposal in years, balancing growth incentives with fiscal responsibility. If implemented, it could reshape corporate decision-making nationwide prioritizing equipment upgrades, research spending, and workforce expansion. As global competition for investment intensifies, these changes may determine whether Australian businesses choose to expand locally or look offshore. The coming debate will reveal if

policymakers can translate this bold vision into lasting economic advantage.

