

# Globalisation and Direct Tax Reform in Australasia

by

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## *Abstract*

The world has entered into a new era of economic competition and co-operation. The global economy has experienced structural adjustments affecting trade, investment and wealth creation. Moreover, there has been a universal direct tax reform with reduction in marginal income tax rates and preferential tax treatment given to promote both domestic and foreign investment. This paper investigates the relationship between direct taxation and the investment-to-GDP ratio, using pooled time-series, cross-section data for Australia and selected Asian economies for the period 1974-75 to 1997-98. Incremental tax mix and cost of capital variables are used to study the effect of tax on investment behaviour. The study examines the importance of tax variables in predicting the changes in investment.

**Keywords:** globalisation, trade, direct tax, investment and unit root.

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