Senator the Hon. Kristina Keneally– Questions on notice

Senate Economics References Committee – Inquiry into the Commitment to the Senate issued by the Business Council of Australia

<u>BCA Commitment Hearing – QoNs for ACTU (16 May 2018)</u>

1. On 26 April, the ACTU said the following:

   > "Mr McCallum: Just to quickly add to that: the Treasury modelling, which I believe was released towards the end of last year, quoted $750 in terms of potential wage increases. According to our analysis, that would mean that the entire of the corporate tax cuts—so that's enterprise plan 1 and 2—the $65 billion, so 100 per cent of that—would need to be passed on as wage increases, and that it would not get up to anywhere near the figure quoted until 2025 or 2027."

   Will the ACTU provide this modelling to the Committee?

   The ACTU analysis was not modelling but based on various comments on the public record relating to the significant issues with Treasury's modelling of the impact of the corporate tax cuts on jobs and wages.

   Earlier this year in Senate estimates, the Treasury Secretary advised that the $750 figure did not refer to an annual increase in wages per worker – it referred to the estimated "level lift" in wages that would occur across the economy once the tax cuts had been fully phased in, and after companies had responded to those tax cuts by increasing investment in Australia, and after that investment had led to productivity growth. An official from the macro-modelling policy division then provided detail that the predicted productivity growth would drive real wage increases of only 1%. When asked if that was per annum, it was clarified that it was not per annum but a 'level increase' over time.[1]

   This contrasts starkly with the statement made by the Prime Minister on 1 February 2017 at a National Press Club speech where he said "If we had a 25% business tax rate today, full-time workers on average weekly earnings would have an extra $750 in their pockets each and every year."

[1] See Hansard for 2017-18 Additional Estimates for the Senate Economics Committee, hearing date 28/2/18 for this discussion.

2. On 26 April, the ACTU said the following:

> "Mr McCallum: In relation to the company tax rate, we, along with other witnesses that this inquiry has already heard from, would point out that the company tax rate is one of a range of issues that companies rely on before they decide to invest in Australia. We already have an effective tax rate in Australia of 10.4 per cent. The headline rate is not a deterrent from investment. There have been studies—and we're happy to provide on notice the sources to back up what I'm about to say—that have indicated that most of the inward investment in Australia has come from companies that already have lower corporate tax rates than we do."

Will the ACTU provide these sources to the Committee?

The source for our comment that 'most of the inward investment in Australia has come from companies that already have lower corporate tax rates than we do.' is: The Australia Institute, Company tax and foreign investment in Australia, Richardson. January 2017.
http://www.tai.org.au/sites/defualt/files/P314%20Company%20tax%20and%20foreign%20investment%20in%20Australia.pdf