



Community and Public Sector Union
Michael Tull ♦ Assistant National Secretary

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Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

By email: economics.sen@aph.gov.au

Inquiry into the 'Commitment to the Senate' issued by the Business Council of Australia

Dear Committee Secretary

As the primary union representing Australian Public Service employees, the Community and Public Sector Union (CPSU) is committed to providing a strong voice for our members in key public policy and political debates. Decisions around the tax system are central to our members' interests as it raises the revenue required to fund public services.

The CPSU welcomes the opportunity to make a submission to this inquiry into The 'Commitment to the Senate' (the Commitment) issued by the Business Council of Australia (BCA) on 21 March 2018.

The CPSU opposes the Government's proposed \$65 billion corporate tax cut.¹

There is a growing consensus that there are economic and societal advantages from reducing inequality with global institutions such as the World Bank acknowledging the importance of tackling inequality.² The Government's \$65 billion corporate tax cut risks fostering more inequality rather than reducing it.³

There is no evidence that the corporate tax cut will deliver the investment or wage growth outcomes implied by the BCA. Treasury modelling has shown it will deliver minimal economic and employment over the long-run. It will cause a tiny increase in employment

¹ James Massola (2017, 11 May) Malcolm Turnbull's company tax cut rises from \$50 billion to \$65.4 billion. Sydney Morning Herald. Retrieved from www.smh.com.au/federal-politics/political-news/malcolm-turnbulls-company-tax-cut-rises-from-50-billion-to-654-billion-20170511-gw2ksm.html

² IMFBlog (2018, January 23). 5 Things You Need to Know About Inequality. International Monetary Fund. Retrieved from <https://blogs.imf.org/2018/01/23/5-things-you-need-to-know-about-inequality/>

³ Greg Jericho (2018, 30 January). Are Trump's tax cuts really a model for Australian growth? Guardian Australia. Retrieved from <https://www.theguardian.com/business/grogonomics/2018/jan/30/are-trumps-tax-cuts-really-a-model-for-australian-growth>

(0.1 per cent in 20 years), wages growth (up less than 0.1 per cent per annum) and GDP growth (0.05 per cent per annum).⁴

The CPSU also notes that research from the US Congressional Budget Office shows that Australia had an effective tax rate of 10.4%, significantly lower than the United States in 2012. Even with recent US corporate tax cuts, Australia's effective corporate tax rate is likely to be lower than that of the US.⁵

The CPSU recommends the Government drops its proposed \$65 billion corporate tax cut and focus on tackling corporate tax avoidance to increase revenue to meet our community's needs for properly funded public services.

Years of continuous budget cuts and outsourcing have eroded Australia's public services, actively aided by the Government policy. The CPSU has warned the Government in many previous submissions about the impact of cuts on the Australian community. The eroded capacity has led to a growing number of problems, demonstrated by the 2016 Census, Robo debt debacle, tens of millions of additional unanswered phone calls and the outbreak of white spot disease that have resulted in significant social and economic costs.

At a time when significant investment is needed in areas such as health, education, infrastructure, defence, research and public sector ICT and digital service capacity it is bordering on reckless to consider further reducing government revenue.

To rebuild our public services and maintain our living standards, government urgently needs increased revenue and to ensure everyone pays their fair share. Accordingly, the government must work to effectively address those areas where taxation obligations are being avoided.

For further information, please contact Osmond Chiu, Policy and Research Officer via email [REDACTED] or on [REDACTED]

Yours sincerely

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⁴ Richard Denniss (2016, 31 May). Company tax cuts do not add up. The Australia Institute. Retrieved from <http://www.tai.org.au/content/company-tax-cuts-do-not-add-growth>

⁵ Congressional Budget Office (2017, March). International Comparisons of Corporate Income Tax Rates. Congress of the United States. Retrieved from <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/52419-internationaltaxratecomp.pdf>