

10th February 2016

Committee Secretary  
Joint Standing Committee on Electoral Matters  
PO Box 6021  
Parliament House  
Canberra ACT 2600

Dear Committee Secretary

**RE: INQUIRY INTO POLITICAL DONATIONS**

On the 9th of February 2016 the Joint Standing Committee on Electoral Matters requested a submission from the Liberal Democratic Party pertaining to point #7 of the terms of reference of the committee's current inquiry, specifically as to "whether the status of the political donations as tax deductions should be maintained."

The political philosophy of the Liberal Democrats is rooted in the classical liberal tradition. Accordingly, we place a great deal of emphasis on the notion of economic liberty, or the idea that a person should be as free as possible to dispose of their own money in whatever fashion they choose.

The Liberal Democrats regard the current status of the deductibility of political donations as anomalous. While individual taxpayers may claim donations to registered political parties and independent candidates as tax deductions, corporate taxpayers may not. This distinction between individual and business taxpayers has no sound basis and we recommend its removal. Consistent with the idea that individuals should be free to spend their money as they see fit is the notion that individuals should also not be needlessly co-opted into subsidising the spending habits of others. Permitting donations to political parties to remain tax deductible amounts to a shifting of a significant portion of those donations from the donor to the taxpayer.

As a result, a taxpayer who votes for the Greens will end up supporting the Liberal Democrats when it receives political funding, and vice versa.

The Liberal Democrats believe that whether to fund a political party is a private decision, and that democracy is harmed by forcing taxpayers to fund parties for which they have no sympathy.

Further, we dispute the assertion that donors to political parties are able to buy influence. In our experience politicians are overwhelmingly principled, and not for sale.

The notion that the Greens only support the CFMEU because of its donations is just as ridiculous as the notion that the Liberal Democrats only support the right to smoke because of donations by tobacco companies. Moreover, it is inconceivable that the Greens would change their policy towards tobacco should they receive large donations from a tobacco company, or that the Liberal Democrats would oppose the right to smoke even if we received large donations from the anti-smoking lobby. The position of both parties is based on their principles.

Notwithstanding this view, and in order to promote public confidence in the political process, we support complete transparency in relation to disclosure of political funding. Donors of amounts

above a non-trivial threshold (eg \$1000) should be made known to the public within a short period of time after the donation (eg a week).

For these reasons the Liberal Democrats advocate removal of the tax-deductibility of political donations.

We also acknowledge that, while the introduction of public funding of political parties was intended to ensure that smaller political parties were not significantly disadvantaged by the ability of large incumbent parties to easily obtain donations, the implementation of the vote percentage threshold has had the opposite effect. The bulk of public funding now goes to the parties that least require it.

Were public funding of political parties to continue, we would prefer that funding was provided to all candidates, with no threshold, with a corresponding reduction in the per vote rate to ensure the overall cost to the taxpayer did not increase.

To summarise::

1. The Liberal Democrats believe individual and business donations to political parties should be treated in the same manner.
2. The Liberal Democrats advocate complete transparency with regard to political donations.
3. The Liberal Democrats do not support the public funding of political parties.
4. The Liberal Democrats regard tax deductibility status as de facto taxpayer subsidisation of political donations.
5. The Liberal Democrats support the removal of tax-deduction status from all political donations.

**Kind regards,**

**Gabriel J. Buckley**  
**National President - Liberal Democratic Party**