

Chapter 2

Views on the bill

2.1 The committee received five submissions to the inquiry. Submitters expressed opposing views on the bill. This chapter summarises the general views on the bill, as well the views on the proposed amendments to personal income tax, company income tax, and alcohol taxes.

General views on the bill

2.2 The Tax Justice Network Australia (TJN-Aus), an organisation which advocates for fairer tax systems, strongly opposed the bill 'due to the great harm it would cause to the well-being of millions of Australians'.¹ In its view, 'it would be reckless for any Australia government to contemplate giving away half of its revenue'.²

2.3 Mr Ryan Kennealy, a student from the University of Adelaide, did not support the bill. He noted:

While I remain an advocate for lower taxes and a more efficient tax system, the Lower Tax Bill 2018 does not seek to accomplish that in a way that is consistent with the value of fairness. It presents more challenges to government and society as a whole than solutions.³

2.4 The EM notes that former Senator Leyonhjelm obtained costings from the Parliamentary Budget Office for a range of measures to halve annual Commonwealth Government spending, which could, in his view allow 'a near-halving of Commonwealth Government taxation, while still allowing considerable improvement in the Commonwealth Government's budget and balance sheet'.⁴

2.5 Mr Kennealy expressed concern that the EM does not provide detail on the spending cuts that would be necessary if the bill is passed, noting:

Senator Leyonhjelm has not provided in detail what programs would have to be cut in order to compensate for this loss of revenue. These proposals show that, even over the forward estimates, government spending would have to be reduced to the equivalent of cutting the entire welfare budget three times over. The Explanatory Memorandum states that the government should only provide funding to 'non-excludable' services, such as defence and air quality regulation. Senator Leyonhjelm must be clearer on exactly where funding would need to be cut.⁵

1 Tax Justice Network Australia, *Submission 3*, p. 1.

2 Tax Justice Network Australia, *Submission 3*, p. 1.

3 Mr Ryan Kennealy, *Submission 1*, p. 3.

4 *Explanatory Memorandum*, p. 1.

5 Mr Ryan Kennealy, *Submission 1*, p. 3.

2.6 The Australian Taxpayers' Alliance (ATA), a taxpayers' advocacy group, considered that 'unreasonably high taxes are a handbrake on economic growth, prosperity and individual human flourishing'.⁶ While the ATA supported the proposed tax cuts, it submitted that these cuts 'should be 'phased in' alongside cuts to government spending in order to ensure that the tax cuts do not cause an increase in public debt to be shouldered by future generations'.⁷

Personal income tax

2.7 TJN-Aus cautioned against the measures proposed in the bill relating to personal income tax. It was concerned about the potential negative consequences of establishing a flat personal income tax rate of 20 per cent and amending the tax free threshold to \$40,000, particularly as this measure 'would contribute substantially to the growth in inequality in Australia'.⁸

2.8 Conversely, the ATA believed that the bill's proposal to raising the income tax threshold and implementing a flat income tax would:

...deliver immense benefits by increasing the wealth of Australian workers and increasing the incentives for promotions and career progression. It will also deliver benefits in the form of increased consumption which will stimulate the economy as individuals are able to spend more of what they earn.⁹

Company income tax

2.9 TJN-Aus described the measures in the bill relating to company tax rates as a plan to 'to give away billions in revenue to multinational corporations by lowering the corporate income tax rate to 20%'. TJN-Aus believed the measures would:

- Also increase inequality in Australia, with inequality being increasingly shown to be a factor in undermining social cohesion in OECD countries;
- Make our tax system less progressive, meaning the wealthier Australians will contribute less to the provisions of services and law enforcement for a good society in Australia;
- Deliver more money to foreign shareholders, who do not pay tax in Australia; and
- Reduce revenue for services and law enforcement in Australia.¹⁰

2.10 The ATA supported the proposed reduction of Australia's company tax rate to 20 per cent in order to ensure that Australia keeps up with the rest of the world. It

6 Australian Taxpayers' Alliance, *Submission 4*, p. 1.

7 Australian Taxpayers' Alliance, *Submission 4*, p. 12.

8 Tax Justice Network Australia, *Submission 3*, p. 1.

9 Australian Taxpayers' Alliance, *Submission 4*, p. 11.

10 Tax Justice Network Australia, *Submission 3*, p. 3.

proposed phasing in the tax cut over time 'in order to reduce the windfall gain to foreign investors from their existing investments here, while acting as a signal for future investment in Australia'.¹¹

Alcohol taxes

2.11 TJN-Aus maintained that alcohol taxation 'is the most cost-effective measure to reduce alcohol harms'. As such, it expressed concern that the proposed measures in the bill to 'abolish alcohol duties and the Wine Equalisation Tax would increase the level of harm caused by alcohol consumption in Australia, driving up alcohol related assaults, diseases caused by alcohol and the prevalence and intensity of family violence'.¹²

2.12 Conversely, the ATA informed the committee that:

ATA believes that so-called 'sin taxes' on products such as alcohol should be repealed or significantly reduced. Not only do these taxes distort the market while penalising mainly the majority of consumers who drink responsibly, they also represent the overreach of government whereby the relative price inelasticity of these products is used as justification to exploit ordinary consumers for the purpose of raising government revenue.¹³

2.13 The ATA also raised concerns that the Wine Equalisation Tax inhibits craft and boutique producers from entering the market and growing their business above a size in which a tax concession presently exists. In relation to craft brewers, it also noted that:

Brewers pay less excise for beer sold in vessels larger than 48L and beer sold in vessels (kegs and bottles) less than 48L attract a higher rate of excise. This effectively punishes smaller, craft brewers and makes it even more difficult for them to compete with their large, established, mass-producing counterparts.¹⁴

2.14 On 13 February 2019, the government introduced the Treasury Laws Amendment (2019 Measures No. 1) Bill 2019 and the Excise Tariff Amendment (Supporting Craft Brewers) Bill 2019, which includes measures to address this issue by extending concessional excise duty rates to brewers that supply draught beer in kegs or other containers that have a capacity of 8 litres or greater.¹⁵

Committee view

2.15 The committee supports the delivery of personal income tax relief to encourage and reward working Australians and notes the government's announcement

11 Australian Taxpayers' Alliance, *Submission 4*, p. 3.

12 Tax Justice Network Australia, *Submission 3*, p. 4.

13 Australian Taxpayers' Alliance, *Submission 4*, p. 3.

14 Australian Taxpayers' Alliance, *Submission 4*, p. 9.

15 Treasury Laws Amendment (2019 Measures No. 1) Bill 2019; Excise Tariff Amendment (Supporting Craft Brewers) Bill 2019, *Explanatory Memorandum*, pp. 15–16.

that it would fast-track tax relief for around 3.3 million small and medium-sized businesses.¹⁶

2.16 The committee notes the need to balance the delivery of essential services without resorting to growth-inhibiting higher taxes. The committee does not consider the bill achieves this balance, as the proposed measures in the bill nearly halve Commonwealth tax revenue without providing any detail of the programs that would need to be cut in order to compensate for this loss of revenue.

2.17 The committee notes that the sponsor of the bill, former Senator David Leyonhjelm, resigned from the Senate on 1 March 2019.

Recommendation 1

2.18 The committee recommends that the Senate not pass the bill.

Senator Jane Hume

Chair

16 Commonwealth of Australia, *Mid-Year Economic and Fiscal Outlook 2018–19*, December 2018, p. 5.