

Dissenting report by Australian Greens

1.1 The Australian Greens do not support the majority report of the committee which recommends the passing of the Tax Laws Amendment (Temporary Budget Repair Levy) Bill 2014 and related bills.

1.2 The Government has attempted to frame the debate regarding the Budget more generally as one of 'emergency'. This is incorrect; the Federal Government still maintains AAA credit ratings from the three biggest credit ratings agencies in the world: S&P, Moody's and Fitch; and Australia also has one of the lowest debt to GDP ratios among OECD countries.

1.3 Despite the 'budget emergency', the Government has not attempted to raise extra revenue. In fact, they have deliberately chosen to reject revenue streams from the big polluters and mining companies, and subsidies continue to be paid to fossil fuel industries.

1.4 The Australian Greens accept the need for responsible economic management. Governments should balance their budgets over the economic cycle. However, as many of the submissions to the inquiry outlined, the deficit levy does not help address the long term structural issues of the Budget.

1.5 The Grattan Institute stated:

The Levy has no impact on the long-term structural position of the Budget, as it will cease to exist in 2017-18.¹

1.6 Mr Saul Eslake outlined:

It [the deficit levy] does not make any lasting contribution to 'fixing the budget' in any structural sense.²

1.7 The levy is a 'political' fix for the Government so they can point to the idea that as welfare recipients, pensioners and anyone visiting the doctor are losing out, and so are high income earners. During his Budget speech the Treasurer outlined that higher income earners would:

... pay a Temporary Budget Repair Levy that in effect increases the top marginal tax rate by two percentage points, for people earning more than \$180,000 a year.

It is only fair that everyone makes a contribution.³

1 *Submission 7*, p. 3.

2 *Submission 2*, p. 2.

3 Transcript of the Treasurer's Budget night speech, 13 May 2014, at www.budget.gov.au

1.8 The Government has created a crisis and is now trying to persuade people that they are all contributing to solving the 'emergency'. The reality is that the current Government wants to protect high income earners. At a recent Senate Estimates hearing Senator Cormann stated:

We are very conscious of the fact that higher income earners already do a lot of the heavy lifting when it comes to contributing to Commonwealth revenue. But, in the context of this budget, we decided and judged that it was necessary to ask everyone across the community to make a contribution, including asking higher income earners to make an additional effort on top of the significant effort that they are already making.⁴

1.9 However, the Grattan Institute makes it clear that:

It does not share the pain very effectively, as it will only have a short-term impact on high-income earners. By contrast, spending cuts that will have a disproportionately large effect on lower income earners are permanent.⁵

1.10 Not everyone is making an equal contribution; Mr Saul Eslake makes the point that:

It will encourage at least some higher-income households to take more active steps to engage in tax-minimization or avoidance activities, including by making greater use of the myriad provisions in the income tax system which offer preferential or concessional treatment for particular types of income, forms of business organization or categories of investment vehicles.⁶

1.11 Making the tax increase permanent would go some way to minimising the tax avoidance that will occur under the temporary levy.

1.12 While the Government's stated aim is about bringing the budget back into surplus, the Prime Minister has been quoted in the media as saying:

The whole point of getting the budget under control now... is so that we can give tax cuts in the not-too-distant future.⁷

1.13 This statement indicates the motivating factor for the way the Government is attempting to sell its Budget to the Australian community. 'Everyone' does the heavy lifting and then higher income earners end up with tax cuts, while changes to welfare remain.

4 Economics Legislation Committee Hansard, 5 June 2014, p. 12.

5 *Submission 7*, p. 3.

6 *Submission 2*, p. 2.

7 Sabra Lane, 'Tony Abbott raises tax cut prospects amid budget questions', 7.30, Australian Broadcasting Corporation, 21 May 2014.

1.14 While welfare spending has been cut with little thought for the consequences, the Government is delaying any decisions on long term structural changes to the tax system. Tax expenditure arrangements which overwhelmingly benefit wealthier individuals and companies have been sent to a white paper process despite the fact that the Henry Review was completed in 2010 and includes broad-ranging tax reform options.

1.15 If the Government was serious about structural reform they would genuinely address growing inequality and the need for revenue, and a new permanent higher marginal tax rate would have been proposed.

1.16 The Australian Greens recognise the structural budget issues, that is why we have proposed long term structural changes to the tax system to raise more revenue and reduce tax avoidance, including:

- apply a 'public insurance' levy on the big four banks that are too big to fail: \$11 billion (revised PBO costing as at MYEFO);
- impose a \$2 per tonne levy on thermal coal exports: \$929 million (PBO pre-election costing);
- implement the original super profits tax on mining companies \$35.58 billion (revised PBO costing as at MYEFO);
- make millionaires pay 50 per cent on their income over \$1 million: \$907 million (revised PBO costing as at MYEFO);
- reduce tax avoidance by taxing discretionary trusts (except those set up by farmers) the same as corporations: \$3.3 billion (revised PBO costing as at MYEFO); and
- retain the carbon price with revenue of around \$12.55 billion.

1.17 The Greens will not allow the Government to use the hype of a so-called budget emergency and the introduction of a temporary levy as part of an ideological campaign that targets the most vulnerable and disadvantaged in our community.

Recommendation

1.18 That the Senate not pass the bill in its current form, and instead pass an amendment making the tax increase permanent with additional measures to minimise tax avoidance.

Senator Peter Whish-Wilson
Senator for Tasmania

