

The Senate

Standing Committee on Economics

Tax Laws Amendment (Political
Contributions and Gifts) Bill 2008
[Provisions]

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Senate Standing Committee on Economics

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Chapter 1

Tax Laws Amendment (Political Contributions and Gifts) Bill 2008

1.1 The Tax Laws Amendment (Political Contributions and Gifts) Bill 2008 amends the *Income Tax Assessment Act 1997* and the *Income Tax Assessment Act 1936* to remove tax deductions for contributions and gifts to political parties. The measure applies to contributions on or after 1 July 2008 and is expected to save \$31.4 million in revenue over the forward estimates period.

1.2 On 3 September 2008 the Senate referred the provisions of the bill to the Economics Committee for report by 5 November 2008.

1.3 The measure in the bill was first announced in March 2007 as part of the Labor Party's election commitments.¹ Identical provisions to those in the bill were in Schedule 1 of the Tax Laws Amendment (2008 Measures No. 1) Bill with additional provisions amending *A New Tax System (Goods and Services Tax) Act 1999*. This bill was introduced into the House of Representative on 13 February 2008 and referred to the Joint Standing Committee on Electoral Matters (JSCEM) on 19 March 2008. The JSCEM tabled its report on 16 June 2008 with a majority supporting the removal of tax deductibility for political donations and recommending that the bill be passed without amendment. However, four Coalition members submitted a minority report recommending that 'consideration of the tax deductibility measures in the bill be deferred until they can be assessed as part of the committee's comprehensive review of campaign finance'.² On 26 June 2008, Schedule 1 of the Tax Laws Amendment (2008 Measures No. 1) Bill was negated by the Senate.

Committee view

1.4 The committee notes the measures in the current bill are the same as those in the bill considered in the JSCEM report. It is not aware of any events that are likely to have changed the views expressed by those who made submissions to that inquiry or appeared at its public hearing. The Economics Committee's inquiry into the current bill has been listed on the Committee's website but no submissions have been received. The committee therefore does not believe that any useful purpose would be served by holding a public hearing.

Recommendation 1

1.5 The committee recommends that the Senate refer to the June 2008 report (majority and minority) of the Joint Standing Committee on Electoral Matters on Schedule 1 of the Tax Laws Amendment (2008 Measures No. 1) Bill 2008 in its deliberations on the bill.

1 The Hon. Lindsay Tanner, Minister for Finance and Administration, 'Labor's \$3 billion savings plan', *Media Release*, 2 March 2007.

2 Joint Standing Committee on Electoral Matters, *Minority report—Mr Scott Morrison MP, Senator the Hon. Michael Ronaldson, Senator Simon Birmingham, Liberal Party of Australia, the Hon. Bruce Scott, the Nationals*, June 2008, p. 43.

Senator Annette Hurley
Chair

Coalition Senators' Minority Report

Tax Laws Amendment (Political Contributions and Gifts) Bill 2008

This is not the first time the Senate has seen the salient elements of this Bill before this Parliament. The Rudd Government introduced this measure as part of Tax Laws Amendment Bill Measures Number 1 Bill 2008 – schedule 1 but it was defeated in the Senate in June 2008, after the Senate had referred the provisions of the legislation to the Joint Standing Committee on Electoral Matters for investigation and report.

The current law provides that subject to certain conditions, contributions or gifts of money or property to political parties, independent members and independent candidates are tax deductible up to a maximum of \$1,500 per financial year.

This Bill amends the Income Tax Assessment Act 1997 (ITAA 1997) and the Income Tax Assessment Act 1936 (ITAA 1936) to remove tax deductibility for contributions or gifts to political parties, independent members and independent candidates.

Coalition Senators' view

The view of the Coalition members of the Committee is that campaign finance reform is a complex issue with various aspects interdependent on one another.

The Rudd Government is currently working on a Green Paper regarding campaign finance reform.

Coalition Senators accept that this is a complex issue and accept that lengthy delays in the preparation of the Green Paper are therefore understandable. Coalition Senators believe however, that the introduction of this Bill and the Commonwealth Electoral Amendment (Political Donations and other measures) Bill 2008 prior to the release of even the Green Paper, significantly diminishes the Government's claims that it is seeking comprehensive campaign finance reform.

Rather Coalition Senators believe that the Government is cherry-picking campaign finance reform to meet its own partisan political needs.

The view of the Coalition members of the Committee is that this Bill has various taxation and revenue elements which require it to be considered in the context of the yet to be released Green Paper. The taxation, revenue and economic implications of the recommendations of the Green Paper should not be considered in isolation to other measures such as the ones put forward by this Bill.

A responsible government would adopt a holistic, broad, bi-partisan view of the issue and most importantly, consider what is in the best interests of the community and our democracy.

Recommendation

Coalition Senators believe that further debate in the Senate on this Bill should be deferred until proper public scrutiny and discussion of the Green Paper and the report of the Joint Standing Committee into Electoral Matters into the reference made by the Senate on 11 March 2008 are had.

Senator Alan Eggleston