ACTU Submission to the

Senate Standing Committee on Economics

TREASURY LAWS AMENDMENT (ENTERPRISE TAX PLAN) BILL 2016

And

TREASURY LAWS AMENDMENT (INCOME TAX RELIEF) BILL 2016

23 September 2016

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TABLE OF CONTENTS

INTRODUCTION AND EXECUTIVE SUMMARY 3

ARGUMENTS THAT CORPORATE TAX CUTS DELIVER A 'GROWTH DIVIDEND' ARE SIMPLY NOT SUPPORTED BY THE EVIDENCE. 5

PERSONAL INCOME TAX CUTS 11

INSUFFICIENT PUBLIC REVENUE, NOT TAX CUTS SHOULD BE THE NATIONAL PRIORITY 14

INSTEAD OF CUTTING TAXED FOR LARGE CORPORAITONS WE NEED A PLAN FOR QUALITY SERVICES, INFRASTRUCTURE AND JOBS. 16

CONCLUSION 17

INTRODUCTION AND EXECUTIVE SUMMARY

The purpose of our tax system is to generate sufficient revenue to provide the services the community expects, invest in our future prosperity and support a fair society with decent living standards for all.

We need a tax system that serves everyone, yet this government is prepared to sacrifice the community of tomorrow for the sake of the privileged today. It is willing to deplete the health, education, infrastructure and public services our community depends on to pay for tax cuts for the already wealthy and corporations who don't currently contribute their fair share.

The argument promulgated by business groups that corporate tax cuts create jobs and improve living standards is simply not supported by the evidence. Recent modelling from the Treasury itself found that cutting the company tax rate by one percentage point would serve mainly to benefit company profits in the short term, with an increase in GDP of only 0.1% and growth in jobs less than 1% over two decades.[1]

The actual determinants of investment are a highly skilled workforce, good infrastructure, quality public services, decent wages and high disposable incomes for strong consumer demand. A strategy for growth and investment that relies only on tax cuts for big business is short sighted and ill conceived. It merely highlights the government has no real economic plan.

Not only will the proposed corporate tax cuts generate little job growth, investment or improve the living standards of Australians, they will divert more than $51b[2] of revenue (The Australia Institute estimates this will in fact blow out to $19.7b *per annum* after 2026-27) that could be used to invest in health, education, training, research, transport, communication, infrastructure and a raft of other public investments that are fundamental to building a strong community and a strong economy.

Seventy-five percent of the benefits the proposed personal income tax cuts for income earners (estimated to cost around $9.6b over the forward estimates[3]) go to the top 10% of income earners. Half (47%) of the benefits go to the top 1% of income earners. These tax cuts for the top 25% of well-off Australians will be funded by budget cuts to public services and goods our whole community relies on and should not be supported.

The tax cuts proposed by these Bills are fundamentally unfair and clearly not in the national interest. The 'trickle down' logic of the government has always been flawed. It is outdated policy which is now widely understood to both widen inequality and hold back economic growth that creates quality jobs or improves living standards. This has been repeatedly confirmed by recent findings from the World Bank, OECD and the IMF that "when the rich get richer, benefits do not trickle down."[4]

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[1] Michael Kouparitsas, Dinar Prihardini and Alexander Beames 2016 Analysis of the long term effects of a company tax cut, Treasury Working Paper 2016-02, 2 May, The Guardian 3 May 2016, 2 June 2016

[2] Parliamentary Budget Office June 2016

[3] The Australia Institute, Budget 2016 Wrap Up (http://www.tai.org.au/content/budget-2016-wrap)

[4] IMF (2015)

Overseas experience shows that cuts which are unfairly targeted at low and middle income households, have hollowed out working and middle classes and, as a result, consumer demand; a crucial driver of economic growth that creates jobs and higher living standards. As well as being morally unjust, such policies have been proven to be economically unsound and inefficient.

The government's own modelling suggests that corporate tax cuts could add 1%to GDP over multiple decades.[5] Yet other modelling has found that reducing inequality and boosting low and middle income earning and consumption capacity would add $13.1 billion or 0.7% to GDP in just the next five years.[6]

As Australia seeks to make the transition from the mining boom to a more sustainable future, it confronts several major challenges. Our past failure to fairly tax the resource sector and reinvest in infrastructure and innovation to develop long term industry, a better skilled workforce and quality public services means that we continue to face these enormous challenges today. And yet the government is on the verge of making the same mistake again.

Rather than pursuing tax cuts, which do not deliver significant job growth or improve our living standards, the government should be ensuring our tax revenue base is able to support investment in education, training, research, innovation, technology, transport, communication, infrastructure, renewable energy and public services which will equip us to face the challenges and opportunities ahead.

[5] (The Guardian 1 June 2016)
[6] Equity Economics, Inequality – The hidden headwind for economic growth, 2016

ARGUMENTS THAT CORPORATE TAX CUTS DELIVER A 'GROWTH DIVIDEND' ARE SIMPLY NOT SUPPORTED BY THE EVIDENCE.

The government plans to lower the small and medium company business tax rate down from 30% to 27.5% and change the threshold as to what constitutes a small business. The changed threshold to qualify as a small business will be from the current annual turnover of $2 million to $10 million in 2016-17; $10 - $25 million in 2017-18; $50 million 2018-19 and $100 million in 2018-19. In three years' time a business with a turnover of $100 million will qualify as a small business.

However the corporate tax cuts do not end there. The government plans to progressively extend that lower rate ***to all corporate tax entities*** by the 2023-24 financial year; and further reduce the corporate tax rate in stages so that by the 2026-27 financial year, the corporate tax rate ***for all entities*** will be 25 per cent. This means all big business, even a company with a turnover of $1 billion dollars, will receive a significant tax cut by 2023-24 before again seeing a lower corporate tax rate (25%) in 2026-27.[7]

The Australia Institute estimates the cost of these corporate tax cuts will blow out to $19.7b per annum after 2026-27.[8] Yet the government has ignored the evidence that corporate tax cuts have not been associated with economic growth or job creation. This evidence demonstrates that:

1. **The majority of corporate tax cuts go to increased profits and dividends for shareholders.**

   Recent modelling by the Parliamentary Budget Office demonstrates that the economic benefits of the government's proposed corporate tax handout will be modest and take decades to arrive.[9] Treasury modelling of the impact of a 1 percentage point cut in company tax found that in the short term the biggest benefits went to the profits of the companies themselves, and in the longer term the improvement in GDP would be small and the growth in jobs less than 1%.[10]

   A Goldman Sachs analysis found the domestic benefits of the proposed corporate tax cuts would be far bigger if companies used the tax cut to grow their business, however "survey evidence suggests that companies are less likely to voluntarily lower the dividend payment ratio" and the real world impact was that 60% of the benefit would flow to offshore investors.[11] Analysis by the Grattan Institute similarly found that companies would pay out a large proportion of higher profits from corporate tax cuts to shareholders rather than increase their domestic investment.[12] A study by The Australia Institute found that "much of the benefit goes to the top 15 listed companies such as the Commonwealth Bank which would

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[7] http://www.aph.gov.au/Parliamentary_Business/Bills_LEGislation/Bills_Search_Results/Result?bId=r5684
[8] The Australia Institute, Budget 2016 Wrap Up (http://www.tai.org.au/content/budget-2016-wrap)
[9] The Guardian 3 May 2016
[10] The Guardian 3 May 2016
[11] The Guardian 1 June 2016
[12] The Guardian 1 June 2016

make some $600 million now from a cut in the company tax cut and probably around a billion in 2026-27. The big four banks alone would receive almost a quarter of the total benefit by year 10. It's a tiny trickle-down cut today, which would have to become Niagara Falls in the later years."[13]

2. **A reduction in the company tax rate will not cause the surge in investment that proponents claim for it.**

The government is claiming that the $51 billion in tax cuts for big business will increase investment. But the government's own figures show that business investment is predicted to fall by 5 % next year. [14] Despite massive reductions in corporate taxes business investment is forecast to remain flat for several years[15].

Much of the new foreign investment entering Australia originates in China and other regional nations with low company tax rates. Australia's 30 per cent company tax rate has not deterred these investments. In a world awash with investible funds and with record low interest rates, there is no compelling evidence that a further reduction in the cost of foreign capital through a reduction in the company tax rate would cause the surge in investment that proponents claim for it.[16] Indeed, this has been the experience in Canada, an economy that shares many characteristics to our own. After several rounds of corporate tax cuts, the Canadian economy saw no increase in corporate investment.[17]

3. **Australia is competing against countries with zero or negligible company tax rates.**

In the context of the range of factors determining the profitability of investment, there is little or no evidence that investment decisions are significantly influenced by headline company tax rates. It is the widespread profit shifting by large multinational corporations to tax havens such as the Cayman Islands and Singapore that has been recognised by the OECD Base Erosion and Profit Shifting (BEPS) policy as the major issue. For these corporations Australia is effectively competing against countries with zero or negligible company tax rates.

Unless the company income tax base is repaired, demands made by Australian business organisations on behalf of foreign-owned corporations will be for ever-lower company tax rates until they are aligned with the negligible or zero rates enjoyed in tax havens.

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[13] The Australia Institute, Budget 2016 Wrap Up (http://www.tai.org.au/content/budget-2016-wrap)

[14] Budget Strategy and Outlook Budget Paper No 1 2016-17

[15] ibid

[16] See, for example, the work of the US Congressional Research Service in Gravelle and Hungerford (2011).

[17] See for example: https://newmatilda.com/2016/03/03/a-warning-from-canada-how-cutting-corporate-tax-did-more-harm-than-good/

4. **In many cases, the company tax rate reduction in Australia would simply be a transfer from the Australian government to the government where the company is headquartered.**

   By far the largest source of foreign investment in Australia is the United States. Where multinational corporations based in the United States do not engage in profit shifting to tax havens, the headline tax rate they face is the US rate of 35 per cent. Australia has double taxation agreements with the United States and numerous other countries. Under these agreements, US-based multinational corporations receive a credit for company tax paid in Australia. On profits earned in Australia they pay Australian company tax at the rate of 30 per cent, receive a credit for the 30 per cent paid in Australia and then pay the extra 5 per cent to the US Treasury. If the Australian company tax rate were lowered to 25 per cent, as advocated by the Business Council of Australia and other business groups, then tax-abiding US-based corporations operating in Australia would pay Australian company tax at the new, lower rate of 25 per cent but would be required to pay a total of 10 per cent to the US Treasury. There is no benefit to the corporation or to the incentive to invest in Australia but there is a large cost to Australian government revenue.

5. **Corporate tax cuts will result in significant revenue loss.**

   Business organisations assert that a cut in the company tax rate to 25 per cent would yield a growth dividend so that it would largely pay for itself. This is the same supply-side economic ideology that the Reagan Administration embraced in the 1980s based on the Laffer curve. However, a US Treasury study found that the Reagan tax cuts caused a decline in government revenue of almost 3 per cent of GDP; they were far from self-financing.

   The PBO estimates its tax cuts will cost $51b[18] of revenue, but The Australia Institute estimates this will in fact blow out to $19.7b *per annum* by 2016-27. This is revenue that could be used to invest in health, education, training, research, transport, communication, infrastructure and a raft of other public investments that are fundamental to building a strong community and a strong economy.

6. **A cut in the company tax rate would be followed by demands to cut the top personal income tax rate.**

   An argument commonly used by advocates of a cut in the top marginal rate of personal income tax is that the gap between the top personal rate and the company tax rate creates opportunities for individual taxpayers to minimise tax by diverting their earnings into corporate structures. A cut in the company tax rate would widen that gap. If it occurred, the advocates of a company tax rate cut would step up their campaign for a cut in the top marginal rate of personal tax to reduce the incentives for avoidance. For them, a cut in the company tax rate and in the top personal tax rate go hand in hand.

[18] Parliamentary Budget Office, June 2016

7. **Corporate tax cuts for small businesses are of questionable benefit.**

   While we support assistance (including consideration of a tax cut) for small business with annual turnovers of less than $2m, a tax cut for SMEs may not be as effective as targeted policies and financing support to encourage innovation and investment. International evidence is clear that SMEs are most responsive to targeted incentives to support collaborative research and innovation and they are the ones that face genuine constraints in access to financing for business growth.

   The Treasurer has said that small and medium businesses are more likely to reinvest their earnings and more likely to be Australian owned, which was why they were getting a tax break first. But evidence demonstrates that bigger businesses are better job creators. ABS figures show that between 2008 and 2013 52% of employment growth was in businesses with more than 200 employees, with just 18% in businesses employing fewer than 20 employees.[19]

8. **Redefining small business from a turn-over of $2m to $100m is a corporate tax cut for big business.**

   The government plans to lower the small and medium company business tax rate down from 30% to 27.5% and change the threshold as to what constitutes a small business. The changed threshold to qualify as a small business will be from the current annual turnover of $2 million to $10 million in 2016-17; $10 - $25 million in 2017-18; $50 million 2018-19 and $100 million in 2018-19. In three years' time a business with a turnover of $100 million will qualify as a small business.

   $100m turnover is not a small business by any stretch of the imagination, but this approach is more politically palatable than providing tax cuts to larger corporations. Corporate tax cuts are unpopular in the community who have seen a stream of recent exposes highlighting the loopholes in our system which allow many highly profitable companies to minimise, or avoid altogether, their contributions to public revenue.

   However the $100 million definition of a small business in 2018-19 is not the end of the planned corporate welfare. The government plans to progressively extend that lower rate **to all corporate tax entities** by the 2023-24 financial year; and further reduce the corporate tax rate in stages so that by the 2026 27 financial year, the corporate tax rate ***for all entities*** will be 25 per cent.

   This means all big business', even a company with a turnover of $1 billion, dollars will receive a significant tax cut by 2023-24 before again seeing a lower corporate tax rate (25%) in 2026-27.

[19] The Guardian 3 May 2016

9. **The current tax system already allows many corporations to pay little or no tax.**

   According to the Australian Taxation Office, one in five Australian-owned private companies with more than $100 million in revenue paid no tax last year. Of the top 200 ASX-listed companies, 57 per cent used subsidiaries in tax havens to avoid paying tax in Australia and almost one-third had an average effective tax rate of 10 per cent or less.[20]

   They do this through:

   - Base Erosion and Profit Shifting to tax havens; and
   - 'Thin capitalisation' - loading up debt that multinational corporations can claim as tax deductions in Australia;
   - Using R&D concessions as a tax-minimisation strategy. For example, it has previously been reported that some mining companies were claiming 90 per cent of their costs as R&D[21]; and
   - Opposing public disclosure of company tax information.

10. **The determinants of investment and job creation which lead to improved living standards are less about corporate tax rates and more about skilled workforces, quality public services, good infrastructure and local consumer demand. Ironically, all of these rely on revenue from the tax system.**

    World-class worker and management skills, infrastructure, innovation, technology, legal systems and education and training are more powerful drivers of investment and jobs growth in Australia than corporate tax rates. Funding extremely expensive corporate tax cuts undermines our capacity to invest in these fundamental drivers of investment.

    The government's own figures from the Budget show that business investment will actually fall by 5 % next year. And business investment is forecast to remain flat the year after. This is despite the proposed tax cuts.

    Both the IMF and the Reserve Bank of Australia have recently noted that given dampened forecasts for global economic growth and consumption demand, investment in boosting local consumer demand will be critical to Australia's prosperity. We should be investing in, not stripping public services and infrastructure which support domestic jobs and higher living standards.

The plan to reduce corporate tax cuts and to redefine small business from annual turnovers of less than $2m to $100m should not be supported. Rather, repairing the company tax base by closing corporate tax loopholes should be a priority, including:

- Effective measures to deal with base erosion, thin capitalisation and profit shifting by multinational corporations;
- Better targeting the Research and Development (R&D) tax concession to achieve investment in jobs of the future;
- Increasing transparency through tax reporting of companies and tax advisers; and

[20] See ACTU (2016, p.16).
[21] http://www.theaustralian.com.au/news/nation/companies-rorting-rd-tax-credits/story-e6frg6nf-1226311027319

- Increasing the resources available to the Australian Taxation Office to ensure effective compliance.

Repairing the revenue base by closing these loopholes and ensuring corporations contribute to public revenue will enable us to invest in a strong economy that creates quality jobs and decent living standards for all Australians.

PERSONAL INCOME TAX CUTS

Our personal income tax system has become less progressive over the years and is riddled with concessions and loopholes. Australian Taxation Office statistics reveal that in 2012-13 the availability of these tax breaks, combined with highly paid tax planning advice, enabled 55 high-wealth individuals to entirely eliminate their tax liabilities, including the Medicare levy. Each of them earned more than $1 million during the year, reporting a combined pre-tax income of almost $130 million – an average of $2.3 million each. They paid their tax advisers a staggering $42.5 million in fees for managing their affairs. The advice paid off for them, since they ended up reporting combined losses of more than $12 million.[22]

75% of the benefits of the combined benefits of the lapse of the budget repair levy and the tax cuts for income earners entering the $80,000 tax bracket go to the top 10% of income earners. Half (47%) of the benefits go to the top 1% of income earners. These tax cuts for the top 25% of well-off Australians, (estimated to cost $9.4b over 4 years) will be funded by budget cuts to public services and goods our whole community relies on and should not be supported.

1. **The removal of budget repair levy is effectively a tax cut for high income individuals earning more than $180,000.**

   Only the top 5% of tax payers will get any benefit from these tax cuts. The top 1% will get a tax cut of more than $12,000 ($1,000 a month).[23]

2. **The proposal to address bracket creep delivers the greatest benefits to high income earners**

   As a matter of principle, bracket creep should be dealt with by systematic indexation of thresholds with wage growth.

   Much has been made of the budget's reliance in the coming years on bracket creep – the effect of inflation pushing taxpayers into higher income tax brackets. But bracket creep is less of an issue when wages growth and inflation are low. The government has itself recognised that the bracket creep problem may not be as severe as it has been claiming, as acknowledged recently by Finance Minister Mathias Cormann:

   > *"But given that wage inflation is comparatively low, that inflation generally is comparatively low, the problem is there but it's not there to the same extent as to what it might have been in the past.* [24]

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[22] Peter Martin, "Tax office statistics reveal the 55 millionaires who paid no tax", Fairfax, 30 April 2015, at http://www.smh.com.au/federal-politics/political-news/tax-office-statistics-reveal-the-55-millionaires-who-paid-no-tax-20150429-1mw2zp.html

[23] The Australia Institute, Budget 2016 Wrap Up (http://www.tai.org.au/content/budget-2016-wrap)

[24] Interview with Radio National, 18 February 2016.

This Bill's proposal to address bracket creep is highly regressive and clearly skewed in favour of high income earners. According to Deloitte economics, a reduction in the 32.5 per cent rate to 30 per cent and an increase in the threshold at which it applies from $80,000 a year to $100,000 a year would give a worker on $100,000 a year a $47 a week tax cut, a worker on $80,000 a year a $20 a week tax cut and a worker earning $60,000 a year a tax cut of $11 a week.

If the government proposes to fund personal tax cuts by cutting expenditure on services such as health and education, families on low and middle incomes will lose out – receiving only a 'sandwich and a milkshake' tax cut in exchange for poorer services and higher out-of-pocket costs for health and education.

If the government is genuine about providing relief for those pushed in to the $80,000 plus tax bracket, it would implement a modest increase in the $$37,000 - $80,000 per annum income threshold which would deliver the greatest compound benefit to middle income earners entering the $80,000 plus threshold, for whom the bulk of compounded taxable income is in the $37, 000 - $80,000 bracket.

3. **High effective marginal tax rates (EMTRs) created by the interaction of the income tax and the means-tested social security systems have far greater financial impact on low and middle income earners than bracket creep.**

The government's tax discussion paper, *Re: think* acknowledges that the biggest impacts on work incentives are for casual and part-time workers who receive government income support payments, particularly secondary income earners.[25] For example, a single parent with two children considering increasing her working hours from three to four days a week faces an EMTR of more than 100 per cent by the time she takes account of her marginal rate of personal tax, the withdrawal of child care assistance and the loss of family payments.[26]

The priority tax reform focus should be to alleviate the hardship EMTRs create for low and middle income families, particularly those in insecure, part time and casual employment.

4. **The governments proposed personal income tax cuts are of no benefit to 75% of Australians, with half of the benefit going to the top 1% of income earners. And they will be funded by reduced public services and goods we all rely on. Tax concessions and deductions which disproportionately benefit high-income households do not serve sound policy objectives and are a drag on revenue. Tax reforms that should be the government priority include:**

- Applying a Fair Tax Contribution (also known as the Buffett Rule) to ensure high-wealth individuals contribute a minimum rate of income tax;
- Phasing in limitation of negative gearing concessions to new properties;
- Halving the 50 per cent discount on the capital gains tax rate on specified investment classes;

[25] See Stewart *et al* (2015, p. 44).
[26] See Productivity Commission (2014, Cameo 1, Box E.3, Appendix E), reproduced as Chart 4.7 in Stewart *et al* (2015, p. 45).

- Reforming the tax treatment of superannuation where tax concessions are skewed to those at the top end of the income range who would otherwise retire very comfortably anyway;
- Taxing trusts as companies.

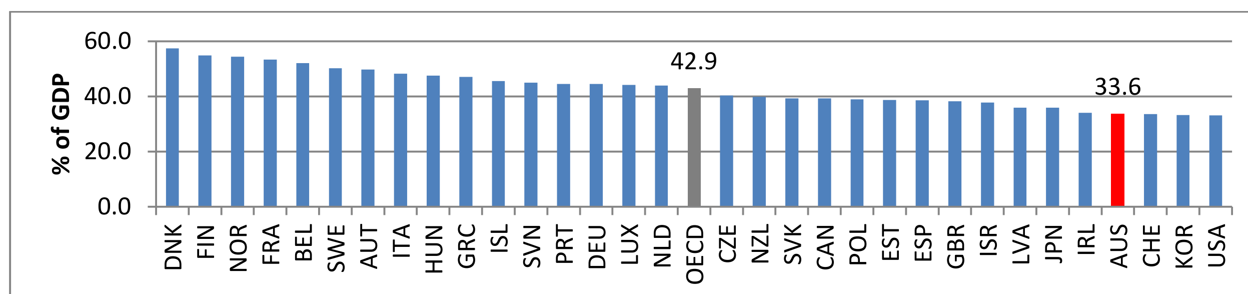
INSUFFICIENT PUBLIC REVENUE, NOT TAX CUTS SHOULD BE THE NATIONAL PRIORITY

Inadequate revenue undermines our ability to sustain decent living standards and invest in health, education, VET, skills, apprenticeships, research, innovation, technology (including renewable energy opportunities) for strong economic growth.

Australia is already a low-taxing country

As acknowledged in the federal government's tax discussion paper, *Re: think,* Australia's overall tax take is low by international standards.[27] At 33.6 per cent of GDP for all levels of government (OECD 2014), it is well below the OECD average of 42.9 per cent of GDP, and third lowest in the OECD.[28] While Australia's tax take as a proportion of GDP is higher than that of some regional trading partners such as China, Malaysia, India, Singapore and Indonesia, these developing and emerging countries do not have the social safety net and health, education and aged care services that Australians legitimately expect to receive. Any notion that Australia is a high taxing country, as is often claimed, is simply not supported by the facts.

Total tax revenue as a percentage of GDP, OECD countries (2014)[29]



Treasury's latest estimates that federal government tax revenue alone – the dominant source of total federal and state tax revenue[30] – will increase over the next two years from 22.0 per cent of GDP to 22.5 per cent (Morrison and Cormann 2015, Table D3).[31] This would still be below the average federal tax take of the previous Coalition government of 23.4 per cent of GDP.

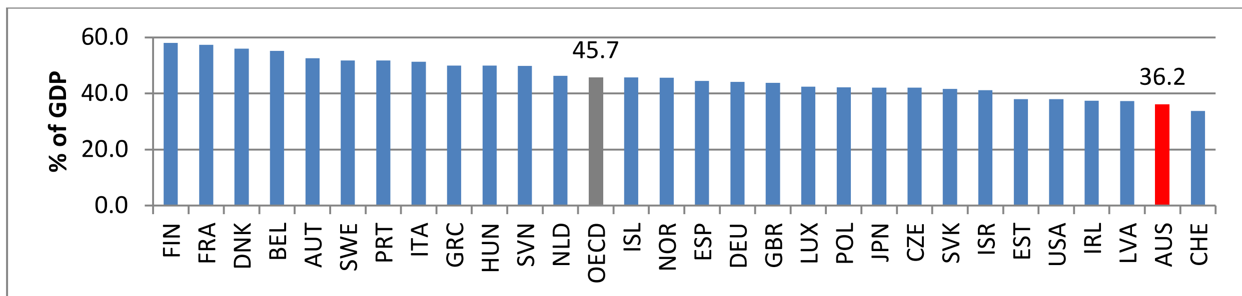
[27] Australian Government (2015, pp. 13 and 16-17
[28]OECDc (2015).
[29] Source: OECD (2016), General government revenue (indicator). doi: 10.1787/b68b04ae-en (Accessed on 13 September 2016)

[30] Federal taxes account for around 81 per cent of total taxation revenue, state taxes around 15 per cent and local government around 3 per cent. See Australian government (2015, p. 15).
[31] Projections for the final two years of the forward estimates are for further increases. Projections are not estimates and are based on simplifying assumptions about returning to trend growth and future commodity prices.

Australia is already a low-spending country

Given that the government persistently asserts that the Commonwealth has a spending problem not a revenue problem, it may come as a great surprise to most Australians that Australia is not only a low-taxing country it is also a low-spending country. In fact, Australia has the second lowest share of government expenditure in GDP in the OECD (OECD, 2014). Australia's spending on public infrastructure and services of 36.2 per cent of GDP for 2014 is nearly 10 percentage points below the OECD average of 45.7 per cent.

Total government spending as a percentage of GDP, OECD countries (2014)[32]



Australia's public spending on education as a proportion of GDP is the third-lowest in the OECD[33] and Australia's public spending on health as a proportion of GDP is below the OECD average. Moreover, Australians spend more out of pocket on health care than those in most other high-income countries. While the total government health care spend per capita in Australia is about 6 per cent less than the high-income country average, the out-of-pocket spending on health per individual Australian is a full one-third higher than the high-income country average.[34]

[32]Source: OECD (2016), General government spending (indicator). doi: 10.1787/a31cbf4d-en (Accessed on 13 September 2016)

[33] OECD (2015c).

[34] See ACTU (2016, p.12).

INSTEAD OF CUTTING TAXED FOR LARGE CORPORAITONS WE NEED A PLAN FOR QUALITY SERVICES, INFRASTRUCTURE AND JOBS.

Australia urgently requires increased investment in health, schools, TAFE and universities. We also need major new investments in public infrastructure – including roads, rail transport, a modernized electricity distribution network, modern ports, and a first rate National Broadband Network.

Infrastructure Australia has warned that we face a growing infrastructure deficit, which if allowed to continue, will cost the economy $53 billion per year by 2031. Investment in these areas will generate a trifecta of benefits: it will provide a badly needed immediate boost to domestic economic demand and growth; it will enhance the productive potential of the private sector in the future; and it will expand opportunities for all Australians to share in our economic success.

We need, and want, a government that will balance the fiscal deficit over the full course of the economic cycle, to ensure that the relationship between public debt levels and economic growth is optimal and that inflation remains positive but low. Compared to most advanced economies in the world we have an extremely low level of government debt. Global interest rates are negative in real terms and the government is well placed to issue long term bonds at very low and fixed interest rates. Investment in public infrastructure is strongly supported by the outgoing Governor of the RBA Glen Stevens, as well as IMF Managing Director Christine Lagarde, who recently said: 'where there is fiscal space (like in Australia), record-low interest rates make for an excellent time to boost public investment and upgrade infrastructure.[35] Now is the right time for the Government to invest in the future.

Increased public investment now in clean energy technologies, public transport, and better communication infrastructure will create jobs in the short run and expand our potential long term growth. It will also crowd in rather than crowd out higher levels of private investment. This is what a sensible economic transition in Australia must be about. This strategy will help create more secure and better paid jobs.

Improving the quantity and quality of health, education and social services should be the highest priority of social and economic policy in Australia. They are the foundation for equal opportunity, social cohesion and strong communities. It is also in these sectors that high quality jobs of the future will be created. We should be investing heavily in these sectors not ripping money out of them.

The government needs a proper economic plan to keep generating quality jobs and higher living standards - not one that relies on $51 billion[36] in tax cuts to large corporations (which the evidence shows won't work). Many families are worried about not having a job, about being paid wages that are not sufficient to put food on the table, pay the rent and take the family on a holiday. If we want a successful economy that works for all Australians, we need greater levels of public investment.

[35] Christine Lagarde 'The policies we need to avoid a low-growth trap' World Economic Forum, 2 September 2016

[36] Parliamentary Budget Office, June 2016

CONCLUSION

Reigning in egregious concessions for the already wealthy and closing corporate tax loopholes which drain revenue base and our capacity to invest in jobs and improved living standards should be our tax reform priority.

The government has squibbed the challenge to deliver genuine tax reform which will build a stronger community and economy equipped to face the challenges of our time. Instead it has fallen back on tired, discredited trickle-down economics. The tax cuts proposed in this Bill unashamedly deliver tax cuts to the wealthy and to business, at the expense of the living standards of Australians, our economy and our future prosperity and should not be supported.

The government must have the political courage to address corporate tax avoidance, close tax loopholes and reform egregious high income concessions in areas like negative gearing, capital gains and superannuation. Our revenue base remains less than optimal because we have allowed multinational companies and the very wealthy far too many opportunities to evade and avoid contributing their fair share to the public good. This where the government focus should be - not on short term tax cuts for corporations and the already wealthy, which undermine the future prosperity of our economy and our society.

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