

A Fair Society

Tax Policy

Introduction

1. The primary importance of the tax system, and its interaction with the transfer system, is in shaping and building Australian society. Appropriate levels of taxation underpin the broad provision of services and infrastructure that in many ways go to defining the nature of Australian society. This is of central importance to all Australians. The tax system belongs to the whole community, not just to the business sector.
2. Congress declares that the principal objectives of the Australian taxation system should be:
 - a) equitable and progressive taxation of individuals and other entities, so as to provide for fair redistribution of wealth and income;
 - b) the collection of sufficient revenue to:
 - (i) fully fund the universal provision of high quality services, including health, education and social welfare to the community, recognising that there are a number of areas in which governments are best placed to ensure adequate infrastructure and delivery; and
 - (ii) facilitate the assistance required to ensure equal opportunity for those who would otherwise suffer poverty and disadvantage; and
 - (iii) be robust over time to meet the challenges of population aging.
 - c) the encouragement of socially, economically and environmentally useful investment and the discouragement of investment which is destructive and unproductive, recognising the need to strike an appropriate balance between competing objectives;

- d) sound administration and transparent provisions and, to the extent possible, simplicity, and integration of federal and state systems.
3. Congress notes the following features of the current tax system:
- a) Australia is amongst the lowest taxing nations in the OECD, with total tax revenue of less than 31 per cent of GDP in 2006-07; this compares with the OECD average of 37 per cent of GDP;
 - b) Australia's annual tax revenue would be around \$60 billion higher if our tax revenue as a percentage of GDP matched the OECD average;
 - c) Australia taxes ordinary workers at around the OECD average, while taxing high income earners at relatively low levels. Over the past two decades average tax rates have declined little for ordinary workers with incomes at or below average weekly earnings (who account for two thirds of all tax payers), but have been cut sharply for higher income individuals (the top third of all taxpayers);
 - d) the distribution of personal income tax cuts since the Howard government introduced the GST in 2000, has been regressive;
 - e) international comparisons of company tax are misleading if compulsory employer social security contributions and payroll tax are excluded. Australian corporate income taxes are low by international standards when allowance is included for these payments;
 - f) there is wide scope for tax avoidance and evasion based on the use of trusts, interposed entities and the creation of artificial company structures;
 - g) the personal income tax system, including the marginal rates structure, should be progressive in design and in its application. The scheduled 'aspirational' income tax rates and thresholds will have a profoundly regressive distributional impact unless accompanied by decisive measures to eliminate loopholes and tax breaks that favour high income earners;
 - h) dividend imputation, while encouraging investment in Australia, has created additional inequity;
 - i) existing superannuation tax arrangements are highly regressive.
4. Congress expresses deep concern that the Labor government has chosen not to include trade union or community representation on the Henry Review while providing direct business representation. Taxation

is central to workers' living standards in after tax income and social wage transfers.

5. Congress calls on the Henry Review of Australia's taxation system to have full regard to the objectives set out above. In particular, Congress supports:
 - a) raising the living standards of the low paid through greater provision of better and higher quality public services together with redistributive revenue raising measures;
 - b) more progressive outcomes from the income tax system;
 - c) addressing the sometimes prohibitive effective marginal tax rate at the intersection between social security and the tax system through changes to the taxation system in order to assist low income households, but not as a substitute for fair minimum wages;
 - d) the abolition of the discretionary tax treatment of family trusts (and similar vehicles) with future tax to be applied consistent with general company taxation;
 - e) the restoration of the previous capital gains tax rate for assets valued above \$1 million;
 - f) quarantining negative gearing losses to same source income;
 - g) the abolition of the private health insurance rebate, with the saved expenditure directed towards the Medicare system;
 - h) the elimination of deductibility as expense against corporate income, for any part of an annual salary which exceeds \$1 million per year;
 - i) ensuring that shares and options packages issued as part of executive remuneration schemes are taxed at an appropriate rate;
 - j) changes to FBT treatment of motor vehicles to ensure greater equity and better environmental outcomes;
 - k) the introduction of a wealth tax on high income individuals;
 - l) increased focus and resources by the Tax Office to target phoenix company operators;
 - m) a major commitment by the Tax Office and legislative change to rein in the large amounts of tax being lost to bogus self-employed contractor arrangements;

- n) using the tax system to encourage greater energy efficiency and long term sustainable energy programs;
 - o) the introduction of a small number of hypothecated tax levies, to better inform public understanding of the links between sources and uses of tax revenue;
 - p) the fulfilment of the Labor Party's election commitment to implement the full complement of ArtStart policies; and
 - q) the imposition of a tax penalty on firms that relocate jobs offshore.
6. The ACTU will continue to campaign around these issues as appropriate, including through continuing participation in the Community Tax Forum, to stimulate widespread public debate.