

Taxation Policy

ACTU Congress September 1991

1. Basic Principles

1.1 Congress reaffirms its commitment to a taxation system based on the criteria of ability to pay and urges that the criteria be central to tax reform.

1.2 While Congress recognises and endorses taxation changes such as increased anti-avoidance activity by Government, Congress maintains its support for further change in taxation policy which would reflect:

1.2.1 The introduction of a broadly based wealth tax, exempting small wealth holdings such as personal effects, consumer durables and owner occupied homes;

1.2.2 The further development of tough new measures to smash the tax avoidance industry, including corporate tax loopholes including:

- use of retrospective legislation against blatant tax avoidance schemes;
- provision of adequate resources to the taxation office and insistence of their rigorous application against tax avoidance and evasion;
- application of full penalties by the tax office against serious breaches of the tax law through tax avoidance or evasion;
- amendment of provisions regarding tax avoidance by transnational corporations through transfer pricing by substantially increasing penalties for such activity and establishing a code of conduct for multinational companies operating in Australia, including a requirement to make available to the Tax office all relevant information in relation to their pricing policies;
- deregistration of tax agents promoting tax avoidance schemes including the widespread practice of establishing off shore tax havens.

1.2.3 The need for full consultation between the Government and ACTU by way of a review of the taxation regimes. Such review to examine the overall system, from the perspective of macro-economic management and the situation of workers and their incomes. In particular the review should examine:

- the effect of dividend imputation;
- current levels of tax avoidance;
- the practice of registering companies offshore for the sole purpose of tax evasion;
- any other matters impacting on the tax burden borne by low to middle income earners compared to that of the wealthy; Review together with a recommendation from the Executive as to appropriate steps to be taken to remedy any imbalance in the tax burdens borne by working men and women.
- Ensuring the effectiveness of the capital gains tax exempting owner occupied houses;
- The pursuit of tax indexation as a factor in the protection of the purchasing power of wage and salary earners.
- Continuation of the individual as the unit of personal income taxation;
- The further broadening of the tax base in order to increase the equity of the system as a whole, involving redistribution of the income tax burden and an expansion of the taxable income base;
- Review of the structure and base of indirect taxation and a reduction in the relative incidence of indirect taxation;
- The imposition of an excess profits tax where appropriate;

- Company taxation levels consistent with equity and employment growth.
- Changes to the overall tax system which effectively aid the development of Australian industry, the creation of
- long-term job opportunities and are consistent with ACTU
- Economic and Industry Policies.
- A tightening up of the definition of "employee" so as to embrace bogus or sham employment arrangements and/or practices which have the effect of tax avoidance and/or minimisation and which undermine legitimate employment arrangements.

1.3 Congress recognises that consistent with its policy on social welfare, the community must accept that in the long term, the development of an effective community welfare system including income maintenance provisions will require increased resources. This, in turn, may necessitate increased taxation both in the form of normal redistributive measures and additional taxation payments which may be achieved by way of specifically directed levy charges or surcharges on income and/or profit to ensure these support systems are provided.

1.4 Congress remains implacably opposed to a broad-based consumption tax such as proposed by the Coalition parties. Such a tax, in lieu of income tax or other progressive taxes would penalise low and middle income earners including pensioners and social welfare recipients but would further benefit upper income earners who retain a higher proportion of their income as savings.

1.5 A consumption tax would be inflationary in its effect and would do nothing to address Australia's economic problems, but instead would simply penalise the poorest and weakest groups in our society. The trade union movement would seek wage increases to compensate for the inflationary effects of a consumption tax.

1.6 Congress notes the growing regressive and unstable tax system in the states and believes that a comprehensive review of states financing should occur with a view to creating a more equitable and stable states tax system.

2. Strategy

2.1 The ACTU will pursue further taxation reform directed to removing any continuing avenues for tax avoidance and evasion. In this context, Congress supports the endeavours of the Commissioner of Taxation to ensure that business and individuals pay their correct tax through tax audits.

2.2 Congress notes with concern the contribution of Government taxes and charges to inflation. The ACTU should address this problem in negotiations with Government, to ensure that all levels of Government - Federal, State and Local - exercise the restraint and responsibility required to ensure that the actions of Government do not add to inflation and wherever possible contribute to a moderation of inflation.

2.3 In light of the Federal Opposition's intention to make the introduction of a broad based consumption tax a major Federal election issue, Congress directs the ACTU and its affiliates to engage in a widespread campaign of exposition of the effects of such a tax as outlined in points 1.4 and 1.5 of the tax policy.