Tax

1. Tax reforms should strengthen, not weaken, governments' ability to provide the high-quality public services and social security that Australians want, need and deserve.

2. The tax system should ensure a fair redistribution of wealth and income to achieve equal opportunity and the alleviation of poverty and disadvantage.

3. Congress calls on the Australian Government to implement taxation reforms in order to:

    a) Ensure that the tax system raises sufficient revenue to fund the provision of high quality services to the Australian community;

    b) Make the system more equitable and progressive;

    c) Reduce the opportunities for individuals and businesses to avoid their obligations, particularly by disguising their incomes through contracting arrangements, trusts, and private companies;

    d) Maintain the proportion of tax revenue that is paid by business;

    e) Ensure that superannuation delivers adequate retirement incomes to working Australians while making sure that tax incentives associated with super are focused on low and middle-income earners;

    f) Further reduce the effective marginal tax rates (EMTRs) that make it hard for low-income Australians to get ahead, and undermine workforce participation;

    g) Reduce the distortions in the tax system that reduce the availability of affordable housing or act as a disincentive to job creation;

    h) Promote Australian jobs and investment

    i) Ensure that the tax system acts as a disincentive for companies to shift Australian jobs overseas;

    j) Provide a level playing field for domestic businesses and overseas companies exporting into Australia, including online businesses;

k) ; and

l) Ensure that Australians receive a fair share of the profits obtained by extracting our collectively owned natural resources.

Personal income tax

4. The former Coalition Government undermined the fairness of the Australian tax system. High income earners received much larger tax cuts than low and middle-income earners during the 2000s. This has undermined the fairness of the tax system.

5. The Labor Government has begun to redress the imbalance, particularly by increasing the effective tax-free threshold for low-income workers. This occurred through increases in the Low Income Tax Offset, which will soon be largely replaced by an increase in the statutory tax-free threshold. The Government has ensured that the benefits of this increased threshold are targeted at low and middle-income earners who need it most.

6. Increasing the tax-free threshold helps low-paid workers to make ends meet. It also reduces the barriers to workforce participation that can result from the interaction of the tax and social security systems.

7. Congress calls on the Australian Government to:

   a) Further increase the tax-free threshold and amend marginal tax rates such that the benefits of this increase are confined to low and middle-income earners;

   b) Reduce the barriers to workforce participation faced by low-income workers;

   c) Not reduce the 45% marginal tax rate, nor increase the threshold at which this rate begins to apply;

   d) Not reduce the 37% marginal tax rate;

   e) Consider additional revenue measures, such as an increase in the Medicare Levy, to fund vital public services such as a National Disability Insurance Scheme;

   f) Review zonal and regional tax arrangements; and

   g) Ensure that the personal income tax system is strongly progressive in order to offset the regressive or proportional nature of most other taxes.

Tax avoidance

8. There are too many opportunities for individuals and companies to avoid paying their fair share of tax, legally or otherwise, such as through sham contracting arrangements.

9. Tax avoidance undermines the fundamental principle of horizontal equity – people with the same income, in similar circumstances, should pay the same rate of taxation. It deprives the community of revenue that could be used on necessary public expenditure, and increases the burden of taxation on ordinary workers.

10. Congress calls on the Australian Government to:

    a) Remove tax breaks for wealthy individuals (including those available through Self-Managed Superannuation Funds);

    b) Increase compliance activity and fines for people evading significant amounts of tax;

    c) Remove tax breaks for large companies (such as fuel tax breaks, depreciation concessions), and ensure R&D tax concessions are properly targeted to genuine research activity;

    d) Extend the tax evasion laws to cover the full range of corporate tax avoidance strategies (including profit shifting);

    e) Increase penalties (including fines) and crack down on tax evasion and avoidance by small businesses, such as failing to report income or GST collections; making false claims for tax deductions; retaining employees' superannuation contributions; misusing corporate and trust structures; and 'phoenixing' the business to avoid tax;

    f) Ensure that sham contractors are not able to obtain a tax advantage over other employees, by improving the tax law test for distinguishing genuine and sham contractors; and

    g) Ensure that the Australian Taxation Office and the Australian Public Service is adequately resourced to fully administer taxation laws. Administration of all aspects of taxation laws should only be undertaken by qualified ongoing public servants.

Superannuation tax concessions

11. Australian unions were central to the creation of the superannuation system, a system that provides all Australian workers with an opportunity to live a comfortable retirement. Unions continue to support compulsory superannuation as one of the pillars of the Australian retirement incomes system.

12. Australians' retirement incomes are supported, in part, by the concessional taxation of superannuation contributions. Unions support this concessional treatment of contributions.

13. However, the present system for taxing contributions is a 15% “flat tax” that provides a greater tax concession to high-income earners than to low and middle-income earners.

14. High-income earners receive a 31.5% concession on superannuation contributions. Low income earners receive no concession – they pay the same rate on super contributions as they do on their ordinary wage income.

15. In 2010-11, the concessional taxation of employer contributions was worth $13.3 billion. Total tax concessions associated with superannuation were worth $27.2 billion. It is important that these costly measures are targeted to those Australians who are in the greatest need of assistance in saving for retirement.

16. Unions believe that the taxation of superannuation contributions should be progressive, with the tax rate rising for high income earners. The ACTU has argued for a system in which contributions are taxed at an individual’s marginal tax rate, minus a fixed percentage point offset. The Australia’s Future Tax System Review (the Henry Review) recommended a similar system.

17. The Government has moved towards this proposed system, by introducing a new rebate that reduces the tax on contributions to 0% for low income earners and a surcharge that increases the tax rate to 30% for very high income earners. However, the system remains broadly ‘flat’, with many high income earners receiving larger concessions than middle-income workers.

18. Congress calls on the Australian Government to implement a progressive tax on superannuation contributions to replace the current flat tax.

Business tax

19. Reductions in the company income tax rate increase the incentive for individuals to avoid taxation through sham contracting and other arrangements in which individual income is disguised as the income of a business.

20. Reductions in company income tax also result in a ‘treasury transfer’ effect to countries which levy worldwide income taxes on their residents, such as the United States. The total tax on investment is not reduced, but is moved from Australia to other countries. This does not promote investment but it does cost the Australian Government revenue.

21. Unions believe that the share of tax revenue that is paid by business should be maintained or increased. Any reductions in the company income tax rate must be accompanied by a broadening of the business tax base so that business continues to pay its fair share.

Affordable housing

22. The tax system should not make housing less affordable for workers and their families. Unfortunately, several aspects of the tax system undermine housing affordability.

23. Unions call on the Australian Government to reform housing taxation to reduce distortions in the market. As a first step, the Government should convene a Housing Tax Forum as a follow-up to the 2011 Tax Forum to discuss the issue in depth.

24. Congress calls on the Government to examine the following proposals:

    a) Negative gearing should be confined to the same source income. Losses arising from owning an investment property should not be able to be deducted from taxable income earned in other ways.

    b) Stamp duties should be replaced with a broad-based, progressive land tax with a generous tax-free threshold. The land tax should include provisions allowing asset-rich, income-poor households to defer payment of liabilities.

    c) The First Home Owner Grant should be phased out. The Grant is largely counter-productive, as it has led to an increase in property prices. Assistance to first-home buyers should be targeted towards the construction of new dwellings.

Financial taxation

25. The Australian economy is relatively small and open. As such, it relies on capital investment from abroad to support economic growth. Congress recognises the importance of international investment.

26. However, short term, speculative “hot money” flows contribute little to an economy’s growth potential. They can be potentially damaging. As such, Congress calls on the Australian Government to investigate ways of discouraging harmful financial speculation.

27. As addressed in the international policy Congress calls for the rapid implementation of the reforms to the financial sector agreed at the London G20 Summit that includes the establishment of a financial transaction tax (FTT).

Capital gains taxation

28. Wealth in Australia is extremely unequally distributed, with the top 20% of households owning over 60% of total net worth. This ensures that capital gains are disproportionately enjoyed by a small number of well-off Australians.

29. Capital gains are taxed at a concessionary rate, with only 50% of the gain subject to tax. High-income individuals who receive most of their income via capital gains thus pay lower effective tax rates than working people with average incomes.

30. A similar situation applies in the United States, which has led the Obama Administration to propose a “Buffett Rule”, named after billionaire Warren Buffett. The rule would ensure that individuals with incomes over $1 million

could not enjoy overall effective tax rates lower than ordinary wage and salary earners. This would establish an effective income tax floor for high-income earners.

31. Congress calls on the Australian Government to introduce a version of the “Buffett Rule” in Australia.

32. Congress also calls for broader reform of capital gains taxation. The concession for capital gains should be reduced from 50% to 40%, as proposed by the Henry Review. Alternatively, a system similar to the capital gains taxation arrangements that prevailed from 1985 to 1999 should be implemented. Under this system, capital gains that merely reflect overall inflation are not taxed, while ‘real’ capital gains are taxed at an individual’s full marginal tax rate.