ACTU SUBMISSION TO THE GOVERNMENT'S CONSULTATION ON THE TAX WHITE PAPER

1 June 2015

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Introduction

The Australian Council of Trade Unions represents nearly 2 million working people and their families across urban and regional Australia. Many more have their pay and conditions of employment shaped by the bargaining and campaigning activities of our affiliates.

Australian unions welcome the government's stated aim of facilitating a 'national conversation' about our tax system and how it may be reformed. Unions have long campaigned for a tax system that actively helps to create a more prosperous and equal society in which all Australians have access to the quantity and quality of public services they need. Too many aspects of our present tax system act in ways that make achieving such a society more difficult than it should be. We therefore welcome the opportunity to take part in a public dialogue about what these problematic aspects are and how they may be reformed.

Unions are the primary representative organisations of working people in Australia. As such we have an important and distinctive role to play in helping to shape our tax system. Tax is always a highly political and contentious area of public policy. Unfortunately, it is an area in which much public discussion is dominated by the views of organisations and individuals who have a strong vested interest in paying less tax than they can and should. Corporations, and those who run them, are always pressing for lower taxes on their profits and wealth.

They are well-resourced to make their case. Some own large and influential media organisations. Some help to fund policy think-tanks that routinely argue for a low-tax agenda. They have access to tax lawyers, economists and accountants to help them assert that without lower taxes on their profits and wealth Australia faces a bleak future. Tax reform is urgent, they argue, and the only sensible reform path is to reduce rates, shift the burden onto others, and incentivise the already wealthy to earn more.

Most working people, the large majority of the population that earn less than $80,000 per year and who have no income other than their annual wage, have a strong interest in a tax system that promotes a fairer and more equal society. Yet, as individuals, they do not have the time, resources and organisation to formulate and express those interests. Unions help to play that role.

We therefore hope that in addition to reading the many submissions the government will receive from corporations, wealthy individuals and well-funded low-tax think-tanks, government ministers and officials will give equal attention and consideration to the views of those, such as unions, who speak for those who will not be able to participate directly in the 'national conversation' the government has initiated.

However, while we welcome the opportunity to discuss how best to reform our tax system, we have some concerns about how the policy process the government has commenced appears likely to develop. The Tax White Paper raises several very important areas for discussion, areas in which unions believe reform is both essential and urgent.

One such area concerns the taxation of superannuation earnings and contributions. Few tax policy experts regard the present taxation of superannuation as either fair or fiscally sustainable. Reforms such as taxing contributions at the marginal rate of the taxpayer (minus a rebate to reward and incentivise saving) have the potential to make the taxation of superannuation progressive and to deliver much needed additional revenues to the government.

And yet recent statements by the Treasurer strongly suggest that the present rethink of our tax system will not now result in proposals to reform how superannuation is taxed. A major part of the national conversation has been silenced – despite having been initially voiced by the government itself.

This creates the strong impression to those the government wishes to hear from that the recommendations it eventually makes will be decided not by what makes sense in terms of a creating a more progressive and effective tax system, but by short-term electoral expediency. If this proves to be the case public confidence in the policymaking process, and in the recommendations the government decides to make, will be severely undermined. It may then prove difficult or impossible for the government to build the support it needs, both inside and outside parliament, to implement the reforms it seeks. Another opportunity to improve our tax system will have been lost.

We hope our concerns prove to be unfounded and that the government engages fully with all the issues raised by those who take part in the present consultation process.

The Tax White Paper raises a large number of complex issues and potential areas for reform. We understand a Green Paper will be issued by the government later this year in which it will highlight particular areas in which it wishes to implement change and suggest possible options for doing so. The ACTU looks forward to engaging with those areas and options in detail once the Green Paper has been published.

In this submission we focus on three themes relevant to tax reform that we do not believe receive sufficient and evidence-based consideration in the Tax White Paper. They are:

- The principles that should guide tax reform.

  The ACTU does not believe the principles outlined in the White Paper offer an appropriate basis for fair and progressive tax reform. We recommend that reform be grounded in principles that highlight the importance of progressivity, adequate funding for public services and transfers, support for jobs and growth, and ensuring business pays its fair share.

- The status of Australia as a relatively low tax country.

  The ACTU rejects the government's assumption that taxes in Australia need to be lower, and recommends that the government considers how additional revenues can be raised to fund the services and transfers that our community needs in ways that are progressive and fair.

- The complex relationship between tax and investment.

  The ACTU rejects the government's assertion that taxes on companies must be lower and that such reductions are essential to generating new growth, jobs and incomes. Policy in this area must recognise that investment in Australia is driven by a complex range of factors, not least the quality and quantity of public services and infrastructures, and the skills of our workforce. Companies must therefore be required to pay their fair share for the support and resources they routinely receive from government and our community.

Principles for Tax Reform

In the absence of clear and consistent principles to guide tax reform we risk an outcome that merely reflects special pleading, business lobbying and party political expediency. The stage will have been set for yet another review of tax in several years' time, amid growing public cynicism concerning the value of such reviews.

In the Tax White Paper the government states that tax system design should balance the core principles of equity, efficiency and simplicity (p. 14):

- Equity: fairness in the distribution of the tax burden;

- Efficiency: economy in tax collection so as to have the lowest possible cost over and above the revenue that is raised; and

- Simplicity: the tax system should be easy to understand and simple to comply with.

Elsewhere the White Paper suggests that other principles may be relevant, such as generating sufficient revenues to fund public services. It is also asserted that 'a better tax system' is one that delivers taxes which are 'lower, simpler and fairer' (p. 2).

Few would disagree that tax reform should seek to balance fairness, efficiency and simplicity, as well as funding public services.

But striking that balance, and deciding what level of funding to public services is sufficient, is only possible if we have a clear vision of the kind of society we want Australia to be. This was recognised by Dr Ken Henry in 2009 when his review of the Australian tax system was underway:

'The tax-transfer system is the principle means of expressing societal choices about equity. The tax-transfer system is a reflection of the kind of society we aspire to be.'[1]

If we see a future for Australia in which income and wealth inequalities continue to widen, in which corporations and high earners pay less tax than they should, and the provision of public services and transfers is limited only to the very poorest, then the implications for our tax system are very different than a future characterised by greater equality and social cohesion. In short, without a clear normative vision of the society we wish to become, and a clear sense of the society we wish to avoid becoming, it is difficult to know on what grounds the tension between 'lower taxes' and 'funding public services' should be resolved.

When responding to the present consultation process the government should articulate the kind of Australia it wishes to see in terms of equity, social cohesion and public provision, and how its preferred tax reform options will help to secure those outcomes.

There is strong evidence that most Australians believe the gap between those on higher and

[1] Speech to the 2009 ACOSS National Conference.

low incomes is too large and that government policy has a legitimate role in reducing it.[2] These attitudes flow partly from moral and ethical beliefs: that all humans have certain common material needs, and the contribution each person makes to generating our collective social product does not vary sufficiently to justify the co-existence of poverty with huge concentrations of corporate and individual wealth.

But there is also an economic case for using taxation and public provision to counter inequality. Research has shown there is a strong link between income and the incidence of poor physical and mental health, low educational attainment and skill acquisition, lower rates of aggregate growth, and destabilising levels of private debt. The costs to government in terms of lost days at work, health expenditures, lower productivity and reduced tax revenues are significant.[3]

The ACTU believes there is a strong moral and economic case for using our tax system to help create a more equal, and so more prosperous, society. We therefore recommend that the government's intended programme of tax reforms be grounded in the following principles:

a) Policy settings must secure sufficient revenues to enable all levels of government to fund the type of society that Australians want, need and deserve, including universal access to public goods such as health, education and welfare, and a decent social wage.

The large majority of Australians support the funding and provision of a wide range of essential and high quality public services, and the availability of transfers to help those in need. Tax settings must be established that enable all those who need such services and transfers to have access to them. There is little or no support for reducing funding to public services so that they offer only residual support to the poorest and most vulnerable.

b) Policy must act to fairly distribute public resources and provide a decent social support safety net to achieve equal opportunity and alleviate poverty and disadvantage.

Compared to most OECD countries Australia does relatively little redistribution via our system of taxes and cash transfers. The average Gini coefficient measure of post-tax, post-transfer inequality for developed countries was 0.32 in 2011. For Australia the measure was 0.46 – above average post-redistribution inequality in the context of the OECD.[4] There is considerable scope for our system of taxes and transfers to do more to ensure our collective wealth is used to reduce poverty and inequality.

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[2] Denemark, D. et al (2007) *Australian Social Attitudes 2: Citizenship, Work and Aspirations*, UNSW Press, Sydney.

[3] Relevant evidence is discussed in: Cingano, F. (2014) 'Trends in Income Inequality and its Impact on Economic Growth', *OECD Social, Employment and Migration Working Papers*, No. 163, OECD, Paris; Sayer, A. (2014) *Why We Can't Afford The Rich*, Polity, Cambridge; Stiglitz, J. (2012) *The Price of Inequality*, Penguin, London; Wilkinson, R. and K. Pickett (2009) *The Spirit Level*, Allen Lane, London.

[4] OECD (2011) *Income Distribution Database*, OECD, Paris.

c) Policy should promote levels of investment, savings and consumption across the economy that will support employment, job security, wage growth, environmental sustainability and Australia's social goals.

Government must have the fiscal capacity to help support growth and jobs through the regular downturns in the business cycle. Cycles of growth come and go. Government must be prepared to accumulate revenues during periods of growth and spend when that growth slows. To reduce spending simply because annual revenues fall is short-sighted and counterproductive. It saps demand out of the economy, increases unemployment, and disrupts skill-formation.

d) Individuals and companies must make a fair and progressive contribution to our tax base based on their different levels of income, regardless of the source of that income.

Individuals and companies should not be able to avoid making their full and fair contribution to public revenues because they are able to manage their income and wealth in ways that attract concessional tax treatment. Such forms of avoidance are unjust in two ways: they are disproportionately available to, and exploited by, those on high incomes; they allow some to avoid paying their fair share while they continue to benefit from the public services and investment that the fair shares paid by others make possible.

e) The efficient and equitable collection of public revenues requires a system of public tax administration at all levels of government with sufficient resources, capacity and skills.

A fair, progressive and effective tax system is not just about setting the right rates and thresholds, and closing loopholes. It requires a system of public tax administration that has the resources, staffing and skills to make sure that every individual and business, regardless of their income or turnover, pays what they owe in full and on time. As wealthy individuals and corporations utilise increasingly complex means to avoid and evade taxation, the demands on the tax authorities in Australia will increase. This will require higher levels of investment in staffing, training and technology – not less. Cuts in pursuit of short-term budget surpluses are counter-productive: they undermine the capacity of the tax authorities to ensure full and fair compliance, and they signal to some individuals and businesses that government is not serious about making sure they pay what they should.

f) Tax rates are one among many factors that determine levels of investment and growth; reduction of the overall tax base will not secure the prosperity, jobs and fairness our community needs.

There is no simple causal relationship between tax, such as the rate of company tax, and the desire of companies to invest and locate in Australia. Companies take into account a complex range of factors when deciding the location and quantum of their investment: the availability of skilled labour; the quality of physical, social and technical infrastructures; political and legal certainty; access to consumer markets; the total tax payable once all concessions, subsidies and discounts have been taken into account. Tax is one issue among many. Simply cutting headline rates is not an easy or necessary path to growth.

Australia is a Low Tax Country

In the Tax White Paper the government acknowledges, briefly, that the overall tax burden in Australia 'is relatively low compared with other developed countries, but higher than some of our major regional trading partners…This is a product of Australia's smaller overall size of government compared to many of its developed counterparts and that it is only one of two developed countries that do not levy specific social security taxes (the other being New Zealand)' (p. 16).

This raises two important issues.

Firstly, comparing Australia's overall tax burden with our major regional trading partners is not appropriate. Most of the countries that we trade with in the Asia-Pacific region are not at the same level of economic and social development as Australia. It would be unusual for such countries to have rates and forms of growth that would enable government to generate public revenues on a scale comparable to Australia and other developed countries. Indeed many other developed countries who are significant trading partners of these less developed countries have higher tax/GDP shares than Australia. Further, the government's statement could be interpreted as suggesting that our relatively high overall tax burden in the Asia-Pacific region may be placing us at a competitive disadvantage. We are not aware of any evidence that this is the case. Every year Australia routinely attracts significantly higher levels of investment from overseas than many other countries in the region, despite the higher tax burden. We also attract investment from countries, such as China, India and Malaysia that have lower tax burdens than we do.[5]

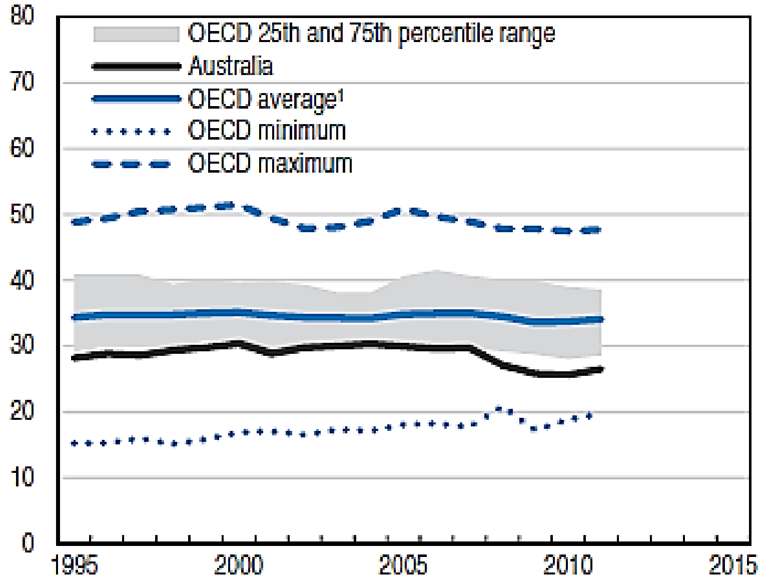
Secondly, having noted that the overall tax burden in Australia 'is relatively low', the White Paper does not discuss what the policy implications of this could or should be. In particular, given that we are a low tax country, why does much of the analysis and discussion in the White Paper appear to be premised on the assumption that taxes need to be lower? Why does the government appear to believe that we need to become an even lower tax country than other comparable developed countries? The White Paper is silent on these questions. The government gives the impression that it feels obligated to reluctantly acknowledge our low tax status, before then ignoring that important fact during the subsequent discussion. This strongly suggests that the government is intent on lowering certain taxes, and perhaps the whole tax burden, regardless of whether the evidence supports making such reductions or not.

That Australia is a low tax country is worth emphasising. It is a fact that rarely gets reported or discussed in much of the mainstream media. But our comparative position within the OECD is clear.

Figure 1 (below) shows that total tax revenue in Australia as a percentage of GDP between 1995 and 2012 (the latest date for which comparative statistics have been calculated) was significantly lower than the OECD maximum, lower than the OECD average, and consistently tracked at or below the 25th percentile for OECD tax revenues.

[5] Foreign Investment Review Board (2013) *Annual Report, 2011-2012*.

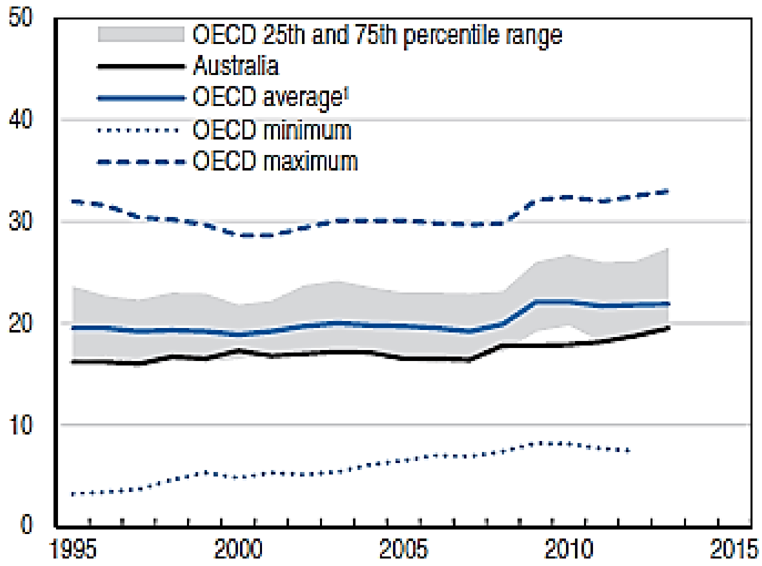
Figure 1: Total tax revenue (% GDP)



Source: OECD

Figure 2 (below) shows that our low tax burden translates into spending on welfare transfers that is also low by international comparison: lower than the OECD maximum and average, and lower than the 25th percentile. In short, Australia does not impose a high tax burden on individuals and businesses that live and trade here. And nor do we spend a lot on welfare. One implication of this pattern of spending is that we could easily afford to raise more in taxes and use more of it to support those in greatest need. Unfortunately the Tax White Paper does not discuss this potential line of policy development.

Figure 2: Public social expenditure (% GDP)



Source: OECD

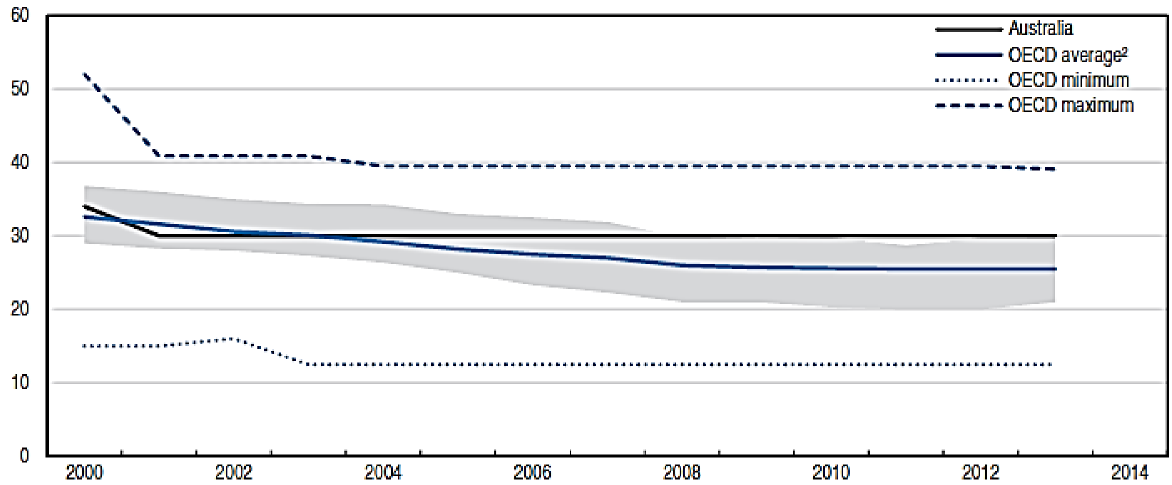
But even if Australia’s overall tax burden is lower than many, the argument goes, it remains the case that we rely too much on particular sources of tax revenue – company tax in particular. We will discuss the relationship between statutory company tax rates and international investment in the next section of this submission. Here we wish to focus on the common assertion that the company tax rate in Australia is too high.

In the White Paper the government’s discussion of company tax issues is partial and heavily skewed toward the alleged damage that our current statutory rate of 30 per cent (28.5 per cent from July 2015) is doing to our economy and living standards. In short, it is argued the rate is too high, it is therefore being cut, and further cuts at some future date will be necessary and justified if we are to survive in the purported global race to reduce taxes on company profits.

There are a number of important points that should be made in this context.

Firstly, while Australia’s statutory company tax rate is higher than some other developed countries, it is not so high that Australia now stands as a stark outlier in an international context. Figure 3 (below) shows where Australia stands in the context of other OECD countries. Our headline rate is well below the OECD maximum and slightly higher than the OECD average.

Figure 3: Statutory rates of corporate income tax in the OECD (%)



Source: OECD

The trends presented in Table 3 are significant for another reason. If, as is often suggested by some politicians and media outlets, there is a global race to reduce company tax rates, a race that Australia is losing, then we would expect to see a sharp convergence around much lower rates today than in the recent past. But this is not the case. While the OECD average has fallen slightly over the past 15 years, rates continue to diverge sharply between countries. In some the rate is at, or close to, 40 per cent. In others the rate is as low as 12 per cent. There is no one single rate that our competitors are rushing toward while Australia allegedly ‘lags behind.’

Secondly, a focus on headline statutory rates is misleading. It fails to take into account important distinguishing details about exactly what the burden of tax is on companies in Australia is. It does not take into account the impact of our atypical dividend imputation system, our relatively generous tax concessions for research and development activities, or that the Australian government does not levy specific social security taxes. In short, there is an important distinction to be made between statutory rates of company tax and the real rates that specific companies in particular countries actually pay once all allowances and concessions have been taken into account.

Quantifying actual or effective rates is difficult. It is highly sensitive to the availability and comparability of specific company-level tax data. However, research for the National Bureau of Economic Research (NBER) in the United States has sought to do this for comparative purposes for the period 2005-2009. Some of the research results are presented in Table 1 (below). This illustrates two important points. Firstly, sharp differences between statutory rates and effective rates are common across much of the globe. On average, most companies pay less than the maximum legislated rate. Secondly, in Australia the mean effective tax rates for domestic and multinational companies are broadly in line with rates elsewhere. In short, the actual impact of company taxes on companies in Australia is comparable to that faced by companies in most other parts of the world.

Table 1: Effective & Statutory Tax Rates on Domestic (DOM) & Multinational (MNAT) Companies 2005-2009

		Mean Effective Tax Rates	Statutory Tax Rates
Australia	DOM	22	30
	MNAT	22	30
France	DOM	25	35
	MNAT	23	35
Germany	DOM	16	37
	MNAT	24	37
India	DOM	22	34
	MNAT	17	34
Japan	DOM	37	40
	MNAT	36	40
United Kingdom	DOM	20	30
	MNAT	24	30
United States	DOM	23	39
	MNAT	28	39
Asia	DOM	21	32
	MNAT	18	31
Europe	DOM	21	23
	MNAT	21	29
Latin America	DOM	21	30
	MNAT	24	28

Source: Adapted from Table 1 in Markle, K.S. and D.A. Shackelford (2011) *Cross-Country Comparisons of Corporate Income Taxes* (NBER: Cambridge, MA)

In sum, Australia's statutory company tax rate is not significantly out of step with other developed countries. But nor is comparing headline rates a particularly useful means of helping to decide if and how company taxes should be reformed. They disguise considerable variation and complexity in terms of what companies around the world actually pay. In terms of effective rates there is evidence that what domestic and multinational companies actually pay is similar to what companies pay in many other parts of the world. This leads to the question of what is then the relationship between taxes and investment decisions. We discuss this in the next section.

Tax & Investment

The Tax White Paper is very clear about what the government believes the relationship between company tax and investment to be, and the implications this relationship has for an economy such as ours:

'Corporate tax applies to the profits of companies, reducing the return from their investments. This reduces the level of investment in small, open, capital importing economies, such as Australia.' (p. 78)

While the Paper briefly acknowledges that other factors can play a part in the decisions companies make about where to locate their investments, the overwhelming emphasis of the Paper is on the allegedly negative causal relationship between tax rates and levels of investment. Indeed, the Paper seeks to underline the importance of this relationship by presenting a diagrammatic model that shows the demand for investment falling in response to decreases in the internal rate of return that result from tax (Box 5.1, p. 79).

The view that company tax rates largely determine how much investment Australia receives is intuitively appealing. After all, why invest in Country A with a tax rate of 30 percent when Country B has a tax rate of 20 percent? And it is a view that is replicated in some economic theories of investment location. However, despite the elegant and accessible formal logic of the argument, it provides little insight into how the location of global investment is actually decided. This is for a number of reasons.

Firstly, the diagram presented in the White Paper is a hypothetical ceteris paribus model of variables that have no empirical content. In short, it neither demonstrates nor proves anything about how real patterns of global investment are determined. The government could have used the opportunity of the White Paper to present new econometric modelling that explored the complexity of the causation involved, and so highlighted the full range of policy choices that need to be made in order to attract more investment to Australia. Unfortunately, the government decided to abstract from this complexity and instead present a line of argument that reflects the crude assumptions and preferences of the low-tax lobby groups.

Where econometric modelling of the association between tax rates and investment has been undertaken it has often found a weak relationship between them. In their review of some of the relevant academic literature Devereux and Griffith conclude that 'there is some evidence that taxes affect firms' location and investment decisions, although we do not have a very good idea about the size of this effect.'[6] They trace the sources of this uncertainty to two factors. Results are highly sensitive to which of the many definitions and measurements of capital and taxation can potentially be used in modelling. Also, factors other than tax rates impact on firms' investment decisions. We should therefore not necessarily expect to find a strong empirically-grounded causal relationship between them.

[6] Devereux, M. P. and R. Griffith (2002) 'The impact of corporate taxation on the location of capital: a review', *Swedish Economic Policy Review*, 9, p. 98.

Secondly, and following on from the last point, the pattern of actual global investment does not passively track differentials in tax rates. As noted in the previous section, Australia routinely receives inward investment from countries with lower company tax rates than ours. The reasons for this are not hard to determine. Australia has characteristics that make it highly attractive as an investment location, characteristics that mediate the influence of business taxation: well-educated and skilled workers; high-quality physical, social and technical infrastructures; political stability and legal certainty; large quantities of natural mineral resources available for extraction, and so on. It should come as no surprise that many countries which lack these characteristics, but which offer much lower statutory tax rates, nevertheless struggle to attract the quantity and quality of investment that Australia receives. More broadly, this suggests that there is a positive relationship between levels of economic development and the quantum of taxes that states collect, a relationship driven by sustained investment in infrastructure and technological change.

Thirdly, a narrow focus on company taxes abstracts from the total package of costs that companies consider when deciding the quantum and location of investment. Clearly costs do matter to some degree. But company taxes, statutory and effective, are not the only costs that corporations face. There are a range of other taxes and charges relating to labour, land, property, types of commercial activity and sub-national levels of government that corporations take into account when calculating where and how much to invest. In turn, these expenses can attract widely varying forms and rates of concessional treatment by different national and sub-national tax systems. These must be considered when attempting to assess how competitive and attractive Australia is to investors overseas.

KPMG have developed a measure of how the totality of tax arrangements impacts on the relative competitiveness of 10 different countries. Their Total Tax Index (TTI) is a measure of the total taxes paid by corporations in a particular location expressed as a percentage of total taxes paid by corporations in the US. Therefore, the US has a TTI of 100.00 which constitutes the benchmark against which the other locations are scored. The results for 2014, and a comparison with the results for 2012, are presented in Table 2 (below).

Table 2: KPMG Total Tax Index 2014 and 2012

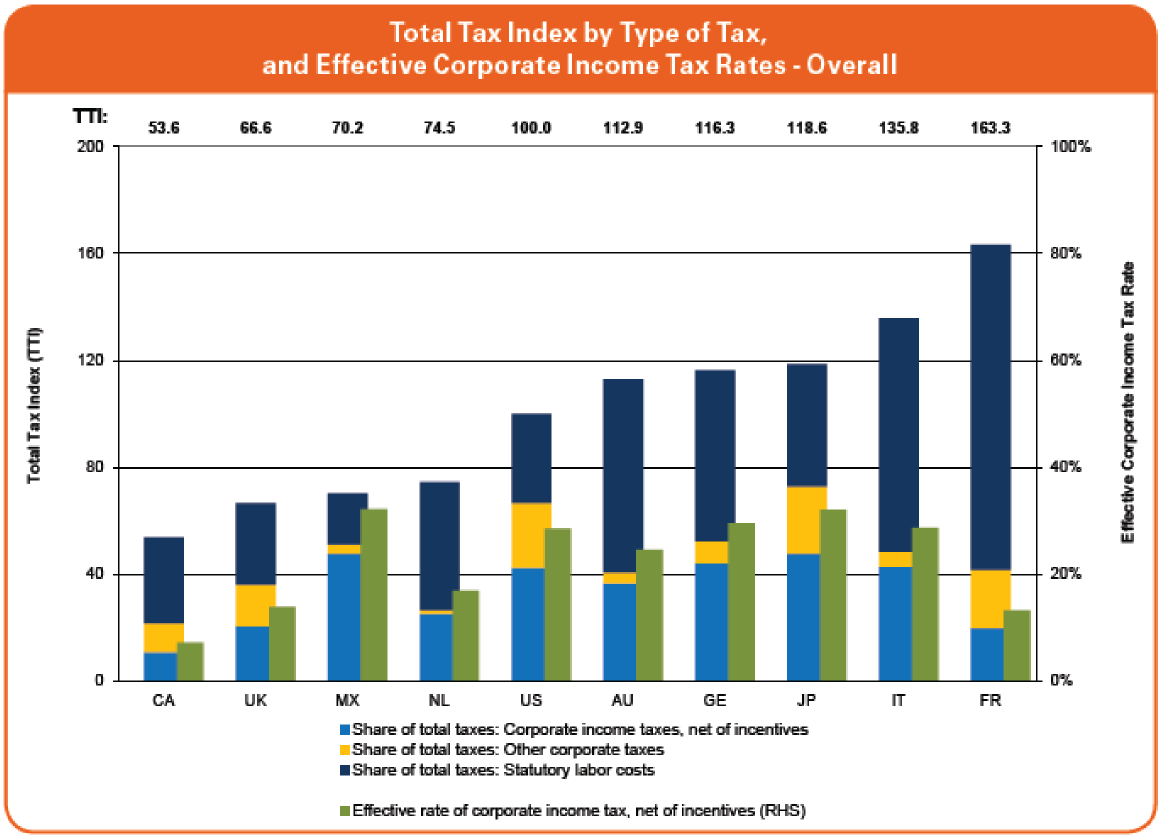
Rank	Country	Total Tax Index			2012 Rank[1]
		2014	2012	Change	
1	Canada	53.6	59.1	-5.5	1
2	United Kingdom	66.6	73.3	-6.7	3
3	Mexico	70.2	63.6	6.6	2
4	Netherlands	74.5	77.2	-2.7	4
5	United States	100.0	100.0	0.0	5
6	Australia	112.9	125.1	-12.2	7
7	Germany	116.3	122.0	-5.7	6
8	Japan	118.6	152.3	-33.7	8
9	Italy	135.8	152.9	-17.1	9
10	France	163.3	179.7	-16.4	10

Source: KPMG (2014) *Competitive Alternatives Report*.

In 2014 Australia ranked 6th out of 10, having ranked 7th in 2012. Not only is Australia more competitive in total tax terms than four of the largest economies on the world (France, Italy, Japan and Germany), that competitiveness has increased over the past two years.

Table 3 (below) breaks down the aggregate tax measure into taxes associated with labour, corporate income taxes and other corporate taxes. This confirms the picture presented by the NBER discussed in the previous section: that the effective rate of corporate tax in Australia is significantly lower than our statutory rate, and lower than effective rates in a number of our largest competitors. Furthermore, the share of total taxes that fall on corporations in Australia is less than or similar to most of the other countries.

Table 3: Total Tax Index by Type & Effective Corporate Income Tax Rates



Source: KPMG (2014) *Competitive Alternatives Report*.

In sum, the relationship between investment and statutory company tax rates asserted in the government's White Paper is misleading and simplistic, and will do little to encourage informed public debate about the complexity of policy choices that must be made if we wish to maintain and increase the growth that is driven by private investment.

Conclusions

The government's White Paper raises a large number of important questions relevant to the future of our tax system. We look forward to engaging in detail with specific issues once the government publishes its Green Paper later this year.

In this submission we have focused on questioning a number of the basic assumptions that appear to be shaping how the government is approaching the task of tax reform. We do not agree that the principles outlined by the government offer a clear and consistent basis for reform. Without placing tax in the context of a normative vision of the society we wish Australia to become, reform risks becoming little more than a series of ad hoc responses to short-term economic and electoral pressures.

The future unions want, and we believe most Australians want, is one in which our tax and transfer system acts to significantly reduce the costs of inequality while promoting social cohesion, growth and provision of the public services that all sections of our community need.

However, achieving such a future will require, in part, better public understanding of where we are and how we can make progress. Unfortunately, the White Paper does not aid that understanding. While briefly acknowledging our status as a comparatively low tax country, the Paper does not then explore the scope that exists for generating the revenues needed to invest more in the skills, technologies, infrastructures and public services of the future. Instead, the assumption of the paper is that we need lower taxes – even when the evidence for such a need is missing.

This assumption is particularly evident in the context of how the White Paper discusses company taxes. There is no evidence that company taxes in Australia are too high and are therefore impeding growth. And the White Paper does not present any such evidence. Instead it relies on highly simplistic and abstract theorising about what the relationship between taxes and investment might be – if all that companies did was make decisions based on headline tax rates. If they did, then much of the recent history of investment in Australia would be rendered inexplicable.

In terms of skills, infrastructures, public services and legal-political certainty, Australia offers companies a highly attractive and competitive environment for international investment. And that environment is only possible because of the taxes collected by government. Companies benefit directly and indirectly from the resulting spending and must continue to pay their fair share for doing so.

ADDRESS
ACTU
365 Queen Street
Melbourne VIC 3000

PHONE
1300 486 466

WEB
actu.org.au

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ACTU
australian council of trade unions