

Three decades of tax breaks for the wealthy in Australia

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In the ongoing “debate” over economic management in the official election campaign, one of the great unmentionables is the hollowing out of public finances through massive tax handouts to big business and the super-rich by successive Labor and Coalition governments over the past three decades.

The worsening global economic breakdown, especially the slowdown of China, has ended the “mining boom” and threatens to plunge the Australian economy into recession. Both the Labor government and the opposition Coalition have signalled their commitment to the demands of big business for European-style austerity measures to impose the burden of the crisis onto the working class.

In bidding for the backing of the financial elite, the two big business parties each promise to balance the budget while accusing the other of fiscal irresponsibility. Prime Minister Kevin Rudd claims the Coalition has an unfunded \$70 billion “budget black hole,” while Opposition leader Tony Abbott criticises Labor’s profligate spending.

What is off the agenda is any suggestion that the financial speculators and corporate swindlers who helped trigger the global economic crisis should be forced to pay. In fact, Labor and the Coalition have both promised further tax breaks to the corporate elite—a continuation of the very policies that have already contributed to an unprecedented redistribution of wealth to the richest layers of society at the expense of the working class.

* In the 1980s, the company tax rate was cut from 49 percent to the current 30 percent. In 1988, Labor Treasurer Paul Keating was responsible for the largest reduction—a huge 10 percent cut—followed by another decrease to 33 percent in 1993. The Coalition government of Prime Minister John Howard did the rest. If the company tax rate were returned to 49 percent, it would boost revenue from \$69 billion to \$113 billion in 2013-14—that is, by an estimated \$44 billion.

* Personal tax rates for the rich have also been slashed. Again, Labor Treasurer Keating made the largest reductions, cutting the top marginal tax rate from 60 percent to 49 percent in 1988. The subsequent reduction by the Howard government was comparatively modest—to 45 percent—although for a newly-created bracket, earning \$75,000 to \$150,000, the marginal rate fell to 40 percent.

In the last financial year, the top 10 percent of income earners paid about \$72 billion in income tax. If the bulk of that amount were taxed at the previous top tax rate of 60 percent, it would provide extra revenue of \$24 billion.

* The compulsory superannuation scheme imposed by the Keating Labor government lowered pay for workers, compelled them to fund their own retirement and funnelled billions of dollars into the financial markets. Under rules introduced by the Howard government, personal superannuation contributions are taxed at just 15 percent, while income on retirement is not taxed at all. This is a lucrative rort for the super-rich, who can put extra funds into their superannuation accounts at one third of the top personal extra rate, then enjoy the superannuation earnings tax-free. The Treasury estimates that, by 2015, the cost of superannuation tax concessions, which overwhelmingly benefit the wealthy, will be \$45 billion a year.

Even by these rough calculations, Labor and Coalition governments are responsible for handing the wealthiest layers of society at least \$111 billion a year—more than enough to cover the present budget deficit of \$30 billion.

That figure does not include the abolition of inheritance tax in the late 1970s. Nor “negative gearing” that allows property investors to write off costs against their income tax, nor the halving of the capital gains tax by the Howard government that proved a boon for speculators of all types. It also excludes the many, multifarious methods of “creative accounting” and semi-legal and illegal tax evasion.

Taken together, these measures constitute a massive looting operation by Labor and Coalition governments alike on behalf of the corporate elite. They have doled out huge tax cuts for the rich while imposing the regressive Goods and Services Tax (GST)—initially proposed by Keating, brought in by Howard and maintained by the Gillard and Rudd Labor governments. The GST amounts to a \$50 billion a year impost, falling most heavily on the working class.

The resulting massive redistribution of wealth has contributed to an unprecedented social gulf between rich and poor. The proportion of total national income going to the top 1 percent of income earners nearly doubled between 1980 and 2010—from 5 percent to 9 percent. For the richest 0.1 percent, the figure trebled, while the top 0.0001 percent increased their share more than five-fold—from 0.25 percent to 1.4 percent.

If one examines wealth rather than income, the class divide is staggering: the top 20 percent of the population hold 61 percent of total private wealth, as compared to just 1 percent for the bottom 20 percent of society.

The Australian Council of Social Services has estimated that in 2010, 2,265,000 people were living in poverty, including 595,000 children. Over half of those living on Newstart employment benefits were forced to survive below the poverty line, as were 45 percent of those on Parenting Payment and 42 percent of those on Disability Support Pension. Of the total in poverty, 29 percent or 656,850 were “working poor,” relying on wages as their main income .

This class divide is also a political divide. All of the parties of the political establishment—Labor and Liberal, as well as the Greens—are tied by a thousand threads to the wealthiest layers of society—the top 5 or 10 percent. They treat the concerns and preoccupations of the vast majority of the population with indifference and disdain.

In thrall to the banks and big business, none of them is proposing any significant tax on the wealthy. Labor and the Coalition are both offering further cuts to company tax, while the Greens would happily junk the limited \$15 billion annual increases in their tax package in return for a seat in government.

The ideologues for the capitalist class claim that lower taxes for the wealthy will expand the economy and create more jobs. In reality, this rorting of the public purse is just one aspect of the socially criminal activities of a parasitic financial elite, which has engaged in an unending process of restructuring that has destroyed large sections of industry and hundreds of thousands of jobs.

At the same time, the lie is perpetrated that there is “no money” for basic social needs such as free high-quality education and health care, decent low cost public housing and transport and a living wage for all. The resources certainly exist, but to harness them requires the total reorganisation of economic and social life, in the interests of all, not corporate profit. An initial measure would be a progressive tax regime, placing the burden of taxation on the rich while lowering taxes for the majority of the population. But no such policy will be implemented through parliament and the apparatus of the capitalist state. Like the French aristocracy prior to the 1789 revolution, today’s financial aristocracy will fight tooth and nail to defend every cent of their vast fortunes by all means available, including the resort to dictatorial forms of rule.

While calling for a vote for our candidates, the Socialist Equality Party’s campaign is focussed on developing an independent political movement of the working class to fight for the complete transformation of society from top to bottom along socialist lines. Only the establishment of a workers’ government—of the working class, for the working class and by working class—will make possible the redistribution of the obscene levels of wealth accumulated by the super-rich to meet the pressing social needs of all. The SEP’s campaign for the 2013 election is above all aimed at building the revolutionary leadership to fight for this perspective.

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