Australian government pushes to increase taxes on workers and poor

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Under the misleading slogans of “tax reform” and “fairness,” Australian Prime Minister Malcolm Turnbull yesterday used a business forum sponsored by the *Australian* newspaper to outline his Liberal-National government’s economic sales pitch.

Despite being billed by Rupert Murdoch’s Australian flagship as a major address, Turnbull’s remarks were cautious and lacked any detail. Nevertheless, it was clear that Turnbull is seeking to prove to the financial elite that he can fashion what his predecessor, Tony Abbott, failed to deliver—a program to slash taxes on business and high-income recipients, in order to boost profits and attract global capital.

This will be at the expense of the working class by gutting social spending and shifting the taxation burden further onto the poorest members of society.

One of Turnbull’s first initiatives, after being installed in September, was to overturn the Abbott government’s refusal, for electoral reasons, to advocate increasing the Goods and Services Tax (GST), which impacts most heavily on working-class families and lower-income groups.

Business leaders are demanding the hiking of the GST, in line with higher consumption taxes being imposed around the world, in order to reduce the corporate tax rate, initially from 30 to 25 percent, and lower the top income tax rates by 5 percent or more, also to match the ever-lower rates being set internationally.

At yesterday’s *Australian*-Melbourne Institute “Economic and Social Outlook Conference,” Turnbull repeated his constant refrain that “we are living in the most exciting times in human history.” Turnbull, a millionaire ex-Goldman Sachs investment banker, spoke glowingly about the prosperity that would flow from “free markets, globalisation, long periods of peace and above all the acceleration of technological change.”

This is under conditions in which millions of working people are being hit by a worsening global slump, a sharp downturn in China, and ruthless restructuring by global corporations, eliminating thousands of jobs. Far from “free trade” and “peace,” the world is overshadowed by the danger of US-led wars against China and Russia and trade and investment pacts, such as the Trans-Pacific Partnership, that are designed to reinforce the hegemony of the American financial elite.

These are the conditions driving Turnbull’s agenda. In order to impose it, however, he faces the same fundamental problem as Abbott—how to overcome the deep popular hostility to the dismantling of jobs, welfare, health, education and living standards.

Turnbull urged his well-heeled audience to understand the need for political window-dressing. “Fairness is absolutely critical,” he said. “Any package of reforms which is not and is not seen as fair will not and cannot achieve the public support without which it simply will not succeed.” His message was that business, the trade unions and the welfare groups must work with the government to provide a gloss of “fairness.”

Asked after his address how he would define “fair,” Turnbull was evasive. He said: “Fair is obviously in the eye of the beholder and people have different views on it.” Regardless of how fairness is defined, however, the GST does not qualify.

The Australian Council of Social Service (ACOSS) yesterday released a report, based on research by the National Centre for Social and Economic Modelling (NATSEM), demonstrating the unequal burden of the GST and the severe effect that raising the tax would have on working class households.

The report shows that the 10 percent GST is already very regressive, costing the lowest-income 20 percent (quintile) of households 13.4 percent of their disposable household income, compared to 5.9 percent for the top 20 percent.

If the GST remained at 10 percent, but without the current exemptions for fresh food, health, education and utilities—as urged by yesterday's *Australian* editorial—the bottom quintile would pay 17.9 percent of income and the top quintile 7.6 percent.

Alternatively, if the GST rate rose to 15 percent, but with the current exceptions—as publicly advocated by three Labor Party ex-state premiers—the poorest 20 percent would lose 20.1 percent of their income on GST, while the best-off quintile would pay 8.8 percent.

Those hardest hit would be aged pensioners, sole parents, welfare recipients, young workers and low-paid workers.

The report explained that this regressive effect results from two main factors. First, the poorest households spend an average of 125 percent of their disposable income, because they must borrow or draw down on savings in order to make ends meet, whereas the richest households save, on average, 25 percent of their income.

Second, the low-income households spend higher proportions of their income on essentials, such as food and health care. That is because average gross income of the bottom 20 percent is just $26,131, less than a sixth of the top quintile, on $172,638.

NATSEM also modelled the impact of raising the GST to 15 percent to pay for a 5 percent cut in all personal income tax rates. The results were even more unequal. Two-thirds of households, on annual incomes up to about $100,000, would be worse off. The lowest-income 20 percent of households would lose $33 a week (6.6 percent of income) on average, while the top 20 percent would gain an average of $69 a week (2.1 percent of income).

Because the NATSEM data is presented in quintiles, these disparities understate the benefits that would flow to the wealthiest 1 percent and 0.1 percent, whose share of national income has already doubled and trebled, respectively, over the past three decades.

During that period, successive Liberal-National and Labor governments have cut the company tax rate from 49 percent to 30 percent and the highest income tax rate from 65 percent to 40 percent. These levels, however, are now too high to satisfy the appetites of the global financial markets.

While ACOSS commissioned the NATSEM findings, it emphasised that it does not oppose hiking the GST, provided that it is part of a "tax reform" package that looks fair. ACOSS CEO Cassandra Goldie stated: "ACOSS does not rule out any increase in the GST … ACOSS supports efforts to reform the tax system to do this in the fairest and most efficient way."

ACOSS, which represents charities and NGOs, is working with the Business Council of Australia, comprised of the largest companies, and the trade union leadership to politically massage Turnbull's offensive. One of his first acts as prime minister was to convene a summit of business leaders, ACOSS and the Australian Council of Trade Unions to secure a commitment to collaborate on this agenda.

Goldie insisted that ACOSS agreed with "business and the unions" on the need to "secure a more sustainable revenue base for essential services and infrastructure." This was in line with Turnbull's fraudulent claim, in yesterday's speech, that his government's overall goal would be a "high wage, generous social welfare net, first world economy."

In reality, further shifting the tax burden onto the working class goes hand-in-hand with slashing wages and welfare. Turnbull's government has already begun a drive to overturn after-hours wage penalty rates and cut more people off disability pensions.

Labor Party leader Bill Shorten is posturing as an opponent of increasing the GST, but Labor fully supports the present regressive tax and is committed to cutting the corporate tax rate to 25 percent. Between 2007 and 2013, the previous Labor government, which was kept in office by the Greens, began dismantling welfare entitlements, along with jobs and working conditions, during the first phase of the global economic breakdown that erupted in the 2008 financial crash.