Australian government forced to delay company tax cut bill

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30 March 2018

In what may become a significant blow to its chances of survival, the Liberal-National government abandoned its bid to push through parliament this week its signature economic policy—a company tax cut for big business.

Despite two years of public campaigning, an advertising blitz by the Business Council of Australia and weeks of haggling with the 11 “crossbench” independents and minor party Senators, the government was unable to muster the votes to pass the bill.

Parliament is now in recess until it resumes for just three days for the federal budget to be delivered on May 8, when the government may try again. But there are growing doubts in ruling circles over the government’s ability to ever implement one of its main promises to the corporate elite—a tax cut worth at least $35 billion over the next decade.

Prime Minister Malcolm Turnbull’s so-called enterprise plan to slash the company tax rate from 30 percent to 25 percent by 2026 was the centrepiece of the government’s May 2016 budget. It was a key plank of its platform for the 2016 double dissolution election, which left it with a precarious one-seat majority in the lower house, and only 30 seats in the 76-member Senate.

Since then, the demands of the capitalist class for the tax cut have only become more insistent because of the Trump administration’s cut in the US rate to 21 percent, and the growing danger of a US-China trade war. Australian capitalism depends heavily on foreign investment inflows, especially from the US, which could be diverted back into America, as well as on exports of raw materials to China. There are also signs of the bursting of a property bubble, accompanied by soaring household debt levels, that has largely kept the economy afloat since the mining boom imploded in 2011.

With the Labor opposition’s help, the government succeeded in passing the first phase of its legislation, reducing the tax rate for smaller businesses. But Labor has baulked at extending the cut to the largest companies, those with annual turnovers of more than $50 million.

At the beginning of this week, the government and the media confidently predicted that enough deals would be struck to successfully put the rest of the bill to a Senate vote. Pauline Hanson’s anti-immigrant One Nation, which has become the government’s closest ally, had signed up, handing the government three Senate votes in return for a supposed pledge to subsidise 1,000 rural apprenticeships.

In the end, however, the government’s horse-trading could only bring seven “crossbench” Senators on board. For all the posturing by the Senate holdouts, the setback reflects intense public hostility toward the tax cuts and the government itself. Opinion polls have recorded support for the bill running at less than 20 percent, while this week’s Murdoch media Newspoll showed the government’s primary support at 37 percent, behind the Labor Party on 39 percent.

The government lagged behind Labor for the 29th Newspoll survey in a row, just one short of the 30 such results that Turnbull cited in September 2015 to justify the move to oust his predecessor, Tony Abbott from the prime minister’s post. The tax bill setback could reignite the factional rifts that have wracked both the Liberal and National parties, especially since the government’s near-defeat in 2016.

Driving the hostility toward the government, and the political establishment as a whole, is the social crisis being experienced by millions of working-class households as a result of the ruthless drive for corporate profit. Average real wages have fallen for six years, permanent jobs are being eliminated in favour of casualised or contract employment, prices are soaring for essentials such as housing, utilities, healthcare and childcare, and basic services and infrastructure are deteriorating.

The Business Council of Australia (BCA), representing the biggest companies operating in Australia, had sought to boost the government's efforts by issuing advertisements and an "open letter" to Senators last week signed by 10 CEOs, pledging to reinvest the proceeds of the tax cuts, with the ultimate aim of increasing wages.

That operation backfired, however, when a leaked copy of the initial draft of the BCA letter revealed that the business chiefs had refused to sign up to any specific promises to use the tax bonanza to invest more, hire extra workers, increase wages or even pay tax.

Another leak—that of a secret BCA survey of its members—showed that more than 80 percent would use the proceeds to either boost returns to shareholders or invest in the company. Only a fifth said they would directly increase wages or employ more staff.

These leaks were especially damaging because Turnbull and other government ministers had spent weeks endlessly restating the lie that a corporate tax cut would flow through to higher wages and more jobs.

After the government's withdrawal of the bill, Turnbull assured a BCA dinner the government was "not giving up" on getting the tax cut through parliament. The BCA announced yet another expensive advertising campaign, designed to improve the public image of big business.

The materials accompanying the new campaign note "the business community has become an easy target" and "anti-business forces have a significant campaign advantage in terms of organisation, communication and data collection."

In reality, the widespread anti-capitalist sentiment reflects the acceleration of social inequality since the 2008 global financial meltdown, not least because the corporate and financial elite pays little or no tax as a result of generous tax concessions.

Due to numerous write-offs and deductions, the effective tax rate paid by many companies in Australia is much lower than 30 percent—it has been calculated at 10.4 percent by the Oxford University Centre for Business Taxation.

Other foreign investors arrange their affairs to pay little or no tax in Australia. This is particularly true for Big Tech companies, such as Google, Amazon and Facebook, where intellectual property makes it easy to shift profits to low-tax jurisdictions like Ireland, Singapore and Luxembourg.

An Anglicare study this week reported that eight of the largest tax concessions and exemptions cost just over $135 billion a year in foregone revenue, and all disproportionately benefit high income and wealthy households. Anglicare's report, *The Cost of Privilege*, estimated that concessions worth $68.5 billion go to the richest 20 percent of households—more than the $68.1 billion annual cost of the disability support pension and assistance to families and children.

Sensing the popular outrage, Labor Party leader Bill Shorten this week dared Turnbull to make the next federal election, due by May 2019, a referendum on the company tax bill, and vowed to repeal the legislation if it were passed in the meantime.

The Labor Party's posturing is entirely hypocritical. It is no less a party of big business than the Liberals. As recently as 2011, Shorten—then a key minister in the Gillard Labor government—advocated lower company taxes. "Cutting the company income tax rate increases domestic productivity and domestic investment," he told parliament, "and leads to more jobs and higher wages."

In a 2013 book, Labor's shadow treasurer Chris Bowen advocated "promoting growth through cutting company tax" as a "Labor thing." With Turnbull's government showing signs of imploding, the *Australian* and the *Australian Financial Review* recently promoted Bowen, citing his admiration for the Hawke and Keating governments of the 1980s and 1990s. Those Labor governments restructured the economy at the expense of the working class and slashed the company tax rate more than any other government in Australian history—from 49 to 33 percent.