

Australian Senate votes for huge tax cuts for wealthy

Mike Head
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Backed by nearly all the right-wing populists in the Senate, the Turnbull government yesterday succeeded in pushing through parliament legislation that promises to hand massive income tax cuts to rich households.

While the government claimed to be assisting low-income families, their tiny tax cuts will be dwarfed by those for the wealthiest layers of society. Workers paid less than \$37,000 a year will get up to \$200 in a tax offset—just enough for a cup of coffee a week—to be paid in a lump sum after July 1, 2019.

By contrast, high-income households, on combined incomes of up to \$300,000, will benefit by up to \$764 a year from this July 1, rising up to \$8,350 a year from 2024–25. In general, the higher the income, the greater the tax cut. Someone on \$200,000 a year, for example, will gain a 16 times greater benefit than a nurse on \$55,000.

Prime Minister Malcolm Turnbull hailed the passage of the three-stage, seven-year package as the “most comprehensive reform of personal income tax in a generation.” An historic shift is certainly involved, in favour of the wealthy elite. The centrepiece of the tax package is a virtual flat tax plan, whereby tax rates will not rise for incomes from \$41,000 through to \$200,000.

“It is fair, it rewards and encourages enterprise, it encourages and enables aspiration,” Turnbull said. Earlier in the week, Turnbull had told parliament what he meant by “aspiration.” In a display of ruling class contempt for working people, he said the tax package would encourage a low-paid 60-year-old aged care worker to “aspire” to a higher-paid job—an “aspiration” virtually impossible to achieve.

The tax bill passed by 37 votes to 33 in the Senate, where the Liberal-National Coalition government holds just 31 seats. Significantly, the extra votes were provided by an unstable assortment of “crossbenchers.”

They had won seats at the 2016 double dissolution election by posing as anti-establishment candidates, exploiting the deepening discontent with the main pro-business parties, the Coalition, Labor and the Greens.

Among them were Senator Pauline Hanson and her sole remaining One Nation colleague, plus the two surviving senators from Centre Alliance, formerly called the Nick Xenophon Team. Fearing an electoral backlash, they each initially voted against the third stage of the tax package, the one most blatantly rewarding the rich. They reversed their votes yesterday, however, when the government refused to split the bill to separate off the third stage.

Buoyed by the vote, and urged on by the corporate media, the government vowed to seek a similar vote next week on its full plan to slash the company tax rate from 30 to 25 percent, which would deliver an \$80 billion handout to the big banks and large companies over the next decade.

At present, Hanson and the Centre Alliance are vowing to vote against the company tax bill. They are aware of intense popular opposition to it and worried about an electoral disaster in by-elections scheduled for July 28 and the next general election, which is due within nine months.

Various media commentators have called into question the reality of the promised tax bonanza over the next 10 years, given the global economic turmoil and danger of another financial crash. The looming trade wars, particularly between the US and China, could have devastating consequences for Australian capitalism, which depends heavily on exports to China and investment from the US.

The tax plans are actually both designed to boost corporate profits and investors’ incomes under these conditions. They seek to match the tax cuts being

offered by the Trump administration and capitalist governments around the world as they fight each other for investment and markets.

The tax bills, key parts of the government's May budget, go hand-in-hand with vicious cuts to welfare and other social spending, intended to force jobless or low-paid workers into even lower-paid and less secure employment, and further multi-billion dollar increases in military spending in preparation for war.

Labor and the Greens voted against the government's tax package, posturing as advocates of "fairness." Labor leader Bill Shorten, a long-time trade union bureaucrat and former senior Labor government minister, again spoke of "working families doing it tough" and against "big banks and big business."

This populist stance shows the acute concerns in the Labor and affiliated trade union leadership of the social and political discontent that is threatening to erupt outside the control of the political establishment. Disaffection is growing because of soaring inequality and decades of attacks on working class conditions by Labor and Coalition governments alike.

Even as he claimed to speak for working people, Shorten emphasised Labor's aim to head off any eruption of working class hostility. He insisted in parliament that it was "not class war" to demand bigger tax cuts for the majority of workers and more funding for school and hospitals.

In reality, Labor's alternative tax package is a modified version of the government's. Its purpose is to satisfy the requirements of the corporate elite while trying to channel the disaffection back behind the election of another pro-business Labor government.

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Labor has promised to double the tiny income tax offsets for people on low to middle incomes. This still would not pay for transport fares or petrol costs. Labor also supported the government's increase in the \$87,000 tax threshold to \$90,000 from July 1, a move that will hand higher-income households up to \$764 in 2018-19, and much more over future years.

The fraud of Labor's posturing was underscored by this week's election of former Treasurer Wayne Swan as the next Labor Party national president. Swan ran a campaign that insisted Labor had to make "fairness" the centre of its electoral pitch.

After his victory, Swan told Sky News: "There's a very clear choice—a prosperous, fair Australia, with a fair tax system under Labor, and under the Liberals what you get is the rich are getting richer."

Swan explained: "To get new members coming through our door, and a new generation campaigning and voting for us, we have to show them we mean business about creating a better, more democratic and more equal society."

This is from the man who handed down one budget after another under the Rudd and Gillard Labor governments of 2007 to 2013. After propping up the major banks with borrowing guarantees after the 2008 global financial crisis, the Labor governments inflicted the burden on the working class via cuts to welfare, including for sole parents, and to education and healthcare.

The voting figures in the Labor Party poll provided another glimpse of the ongoing collapse in the party's membership and support, precisely because of its record. Only 19,504 people voted, about 40 percent of the party's claimed membership, which is dominated by parliamentary careerists, union bureaucrats and staff members.

Far from representing "working families doing it tough," the Labor Party is a thoroughly corporate entity. It was the Hawke and Keating Labor governments of the 1980s and 1990s, working very closely with the trade unions, that began the restructuring of Australian capitalism to make it "internationally competitive" at the direct expense of the working class.



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