

Australian Labor Party backs tax bonanza for the wealthy

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Amid deepening popular discontent with the Liberal-National Coalition government over the COVID-19 disaster, the Australian Labor Party last week stepped up its pitch for the support of the ruling elite to return to office.

Labor's parliamentary caucus in Canberra completed the party's repudiation of the four main taxation policies it took to the 2019 federal election, dropping its proposed marginal limits on some of the huge concessions enjoyed by the wealthiest layers of society.

Last week's abandonment of Labor's taxation promises shatters what was left of the "Fair Go Action Plan," which it proclaimed before the 2019 election, in an attempt to exploit mounting disaffection in the working class due to the staggering growth of social inequality.

Labor suffered a debacle at that election primarily because millions of workers, on the basis of bitter experiences with earlier trade union-backed Labor governments, had good reason not to believe the party's bogus "fair go" slogan.

Last week, the fraud of that banner was underscored when Opposition Leader Anthony Albanese's shadow cabinet officially endorsed the Coalition government's "stage three" income tax cuts, which overwhelmingly benefit the rich.

They also ditched Labor's promises to adjust the "negative gearing" scheme, which rewards property investors and drives up home prices, and to halve the 50 percent capital gains tax (CGT) discount on assets sold after 12 months. Labor's policy would have slightly curtailed negative gearing, by confining it to newly-built properties.

Without any reported dissent, the shadow cabinet's dumping of Labor's 2019 taxation pretences was swiftly rubber-stamped by all the party's parliamentary representatives.

Earlier this year, Labor likewise formally junked its franking credits policy, which would have abolished refunds for investors who received dividends from their share portfolios, yet paid no income tax.

In a joint statement, Albanese and shadow treasurer Jim Chalmers said the decision to axe the policies was part of the party's COVID-19 "response strategy." They wrote: "Labor

is providing certainty and clarity to Australian working families after a difficult two years for our country and the world. Our focus is on making sure Australia emerges from this crisis stronger and more resilient—with an economy that works for working families, not the other way around."

This is a sham on every level. Far from helping "working families," the bipartisan tax policies shared by Labor and the Coalition are calculated to deliver further massive windfalls to the super-rich, not working class households. The government revenue losses also inevitably mean the slashing of essential social services, including healthcare, welfare programs, public housing and public education.

This is part of the drive by the corporate elite and governments to use the pandemic—which they have intensified, by failing to protect the population, to impose further restructuring of the economy in the interests of big business through the destruction of working class jobs and conditions.

By 2024, as a result of the "stage three" cuts, the income tax system will be transformed into a virtual flat tax regime, with a 30 percent rate applying to annual incomes, all the way from \$45,000 to \$200,000.

This will multiply the boost to the wealthy from the first two stages of the tax cuts delivered by the Coalition government, currently headed by Prime Minister Scott Morrison.

According to Treasury estimates, a dual-income household on \$400,000 will, for example, enjoy an annual tax cut of \$23,280, but a single person on \$30,000 will receive just \$255, or \$5 a week. Those trying to survive on poverty-line social security payments, such as aged pensioners, carers and the unemployed, will get nothing.

By Treasury calculations, the tax cuts will slash government revenue by more than \$300 billion over 10 years, while the retention of the full capital gains tax discount is estimated to cost another \$10 billion annually.

Labor has now irrevocably committed to retaining the income tax cuts, which they helped the Morrison government pass through parliament in 2019, following

Labor's election defeat. Until now, Labor had kept open the option, if it won the next election, of slightly reducing the generosity of the handouts to those on the highest incomes.

The vast bulk of the reward from Labor's about-face on the negative gearing regime will also go to the rich. A recent study, by the Australia Institute think tank, estimates that more than half the benefit of negative gearing goes to the top 20 percent of households by income, while the bottom half gets less than 20 percent.

The latest available data from the Australian Taxation Office for 2018–19 showed that of the 2.2 million taxpayers owning at least one rental property, 1.3 million declared a net rental loss that financial year. This enabled them to write off the loss against their income tax.

Almost 1 million of them had only one property negatively geared, but more than 300,000 did so for multiple rental properties, including 11,226 who had negatively geared at least six properties.

The study showed that the capital gains tax discount was also tilted heavily in favour of the most affluent investors. More than 70 percent of the discount went to the highest 10 percent of households by income, and almost 80 percent went to the top 10 percent of households by wealth.

The capital gains tax discount further made the payoff for negatively gearing a rental property more profitable, and also encouraged investors to focus on assets they hoped would go up in value.

That speculative activity has been a key driver of soaring home prices over the past two decades. At both the 2016 and 2019 elections, Labor claimed that its tax policies would curb the rises, which have increasingly taken home ownership out of reach for young working class people.

Despite the pandemic, Australian house prices are rising at their fastest rate in more than 17 years. Prices increased by 1.6 percent on average in July, producing a 16.1 percent jump over the past year, according to property research firm CoreLogic.

These rises far outstrip workers' wages, which have been stagnant for decades, with employers using the pandemic to drive them down, particularly for insecure, low-paid and casualised workers.

Labor's revised tax platform demonstrates its commitment to satisfying the demands of the ruling elite for ever-greater profits and wealth accumulation, not to speak of the similar aspirations of the privileged layers of Labor politicians and trade union officials, who serve the needs of the financial oligarchs. Albanese personifies this milieu. Just before announcing Labor's tax switch, he reportedly sold his own investment home in the Sydney suburb of Marrickville for \$2.35 million.

The Greens, the other main party of the political

establishment, claimed that Labor's move was an historic reversal. Greens leader Adam Bandt called it "the sell-out of the century," saying: "Tax cuts for billionaires mean cuts to services for everyone else."

This is sheer hypocrisy. First of all, the Greens are still pleading to be included in a coalition government with Labor, after the next election. They are seeking to shore up another capitalist Labor government after they propped up the minority Labor government of Julia Gillard from 2010 to 2013.

Secondly, Labor's ditching of its populist appeal from the 2019 election is entirely in line with the party's historic record of service to the ruling class, including on tax. The Hawke and Keating Labor governments of 1983 to 1996 cut the top income tax rate from 60 percent to 49 percent, and the company tax rate from 49 to 33 percent.

This was a central plank of Labor's economic program. The unions enforced it via the prices and incomes Accords, which strangled workers' opposition and helped produce a vast transfer of wealth to the rich from the working class.

Last month, the *Australian*, Rupert Murdoch's national flagship, published two "exclusive" interviews and an editorial, praising Albanese for shifting Labor's policies on taxation, as well backing the lucrative coal industry and the Biden administration's stepped-up US confrontation with China.

This is a warning sign that Murdoch and other media outlets are turning toward Labor, as a possible means of suppressing the social and political discontent that the Liberal-National government is proving incapable of controlling.

At this year's party conference, the Labor and trade union leaders presented themselves, and a Labor government, as the most reliable vehicle for, once again, imposing on the working class the sacrifices demanded by the ruling elite during periods of war and social unrest, as Labor has done during both world wars.



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