

Australian government's desperate tax backflip still benefits the rich

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After repeated denials that it would do so, the Albanese Labor government this week performed an about-face to “redesign” the previous Liberal-National Coalition government’s so-called Stage 3 income tax cuts. The sudden switch is an anxious bid to head off working-class unrest over the cost-of-living crisis.

Labor’s rejigged package still delivers a bonanza to the wealthiest layers of society, while offering pittance to the millions of working-class households that are being devastated by the global inflationary spiral.

Low-wage workers on \$40,000 a year, who were to receive nothing in the original plan legislated with Labor’s support in 2018, have now been promised a \$654 tax cut. That is just \$12.50 a week, or less than \$2 a day. Workers on up to \$140,000 a year, about twice the median wage, will be up to \$804 better off. That is only \$15.50 a week—just over \$2 a day.

That will not even make up for the Labor government last year scrapping the Coalition government’s low- and middle-income tax offset, affecting about 10 million taxpayers. The offset provided lump sum payments of up to \$1,080 after taxpayers filed their annual tax return. Labor also ended the Coalition’s halving of the petrol excise tax, sending pump prices soaring again.

The Morrison government adopted those measures in the lead-up to the 2022 federal election, unsuccessfully trying to buy electoral survival. Now the Labor government is seeking to do the same, but under far worse social conditions and even greater levels of political disaffection.

In Labor’s revamped tax package, there is no relief at all for 3.3 million households living below the tax-free threshold of \$18,200 a year or depending on sub-poverty pensions or welfare payments.

By contrast, the most affluent 3.6 percent of the population, those on \$200,000 or more per year, will still get \$4,529, or \$87 a week. That is about seven times as much as the low-wage workers.

Moreover, the more than \$300 billion in reduced taxes over the next decade will mean deeper cuts to public health, education and other social spending, on top of the hundreds of billions to be spent on the AUKUS alliance and other military in preparation for a US-led war against China.

The pittance for workers will do nothing to relieve their

financial stress. They are dwarfed by the still soaring cost of living. A Treasury briefing paper on the new tax package admitted that living costs rose by 9 percent in the year to September—about double the often-cited official consumer price index.

Treasury revealed that the poorest 20 percent of people spent more than their disposable income, by an average of 10 percent, in 2021-22. It added that more than quarter of the poorest 40 percent, both renters and mortgagees, experienced financial stress in 2022-23, “including being unable to pay bills, missing meals, or reaching out to community or family for financial help.”

This social and housing disaster will continue to escalate. Average mortgage payments have risen by more than \$400 a week since Labor scraped into office in May 2022, and median rents have increased by up to \$100 a week. These amounts dwarf the claimed tax relief.

Growing numbers of people, many of whom have never faced homelessness before, are living on the streets, or in tents, vans or cars, and depending on charities for food and other essentials, while corporate wealth surges.

Labor government ministers restated until last week their commitment to handing the full Stage 3 tax cuts, worth more than \$9,000 a year, to the highest-income recipients. The backflip cannot be explained by a sudden concern for the impact of soaring prices, mortgage payments and rents on workers and their families.

All the “changed circumstances” that Prime Minister Anthony Albanese cited to justify the tax package “change” have been hitting working-class households since before Labor took office in May 2022. That includes the ongoing COVID pandemic and the global supply chain fallout from the US-NATO war against Russia in Ukraine.

This is a desperate operation to head off an eruption of working-class discontent after years of declining real wages. Media polls have shown an implosion in Labor’s support since the overwhelming defeat of its indigenous Voice constitutional referendum on October 14.

That referendum became a vehicle for workers and youth to express their opposition to the government’s entire pro-business and pro-war agenda, as well as their lack of trust that

an elite Voice assembly in Canberra would do anything to rectify the appalling conditions facing most ordinary Aboriginal people.

In the immediate term, the government fears it could lose a March 2 by-election in the southeastern outer suburban Melbourne electorate of Dunkley. A defeat would reduce Labor's House of Representative majority to one, raising the spectre of a minority government after, or even before, the next federal election.

"This is a big gesture to save Dunkley," one unnamed Labor parliamentarian told the *Australian Financial Review*. Another MP cynically told the *Australian* the tax package was "potentially electoral gold in outer-suburban electorates" such as Dunkley and western Sydney seats. MPs told the newspaper that 30 to 40 electorates had begun to show "signs of anger" toward Labor over a lack of cost-of-living relief.

More fundamentally, the Labor leaders and their partners in the trade union apparatus fear the eruption of struggles, including strikes, by workers under conditions in which the union bureaucrats are having increasing difficulty in suppressing rising unrest over wages and cuts to jobs and conditions.

For 20 months, the Labor government has backed the central bank in imposing 12 interest rate hikes, while enforcing sub-inflationary workplace agreements with the help of the union officials. That offensive is designed to drive up the official jobless rate to 4.5 percent, eliminating 150,000 jobs, in order to push down further on wages.

Labor's tax package is designed to intensify the downward pressure on wages. By cutting the low-wage tax rate from 19 percent to 16 percent, the government hopes to draw more people into joining the workforce or increasing their part-time hours, helping employers fill vacancies without offering higher wages. As an added benefit, that will include people trying to survive on sub-poverty pensions or welfare payments, thus cutting social spending.

The government's Treasury briefing paper states: "The redesign is expected to produce a larger increase in labour supply, driven by increases in hours worked and participation of women with taxable income between \$20,000 and \$75,000. Overall, the recommended redesign sees an increase in labour supply of about 930,000 hours per week."

This calculation is based on exploiting the impoverishment of workers to "incentivise" them to take low-paid jobs. The *Australian Financial Review* noted approvingly: "At the margin, it could encourage them to work more hours and days, adding to the labour supply and perhaps ameliorating pressure on wages and inflation."

On the other hand, the "rich will grumble or rearrange their affairs" to reduce their tax bills, economist Chris Richardson told the newspaper.

Albanese emphasised the benefits for business in a National Press Club speech on Thursday. For all his claims to want to

help "working families," it was a pitch for corporate support. His speech was riddled with references to "increasing labour supply," "boosting workforce participation" and "nourishing aspiration and hard work."

The prime minister declared: "Aspiration is a fundamental Labor value, and fair reward for hard work. That's why cuts go all the way up." In other words, the handouts to the wealthy layers are deliberately in line with Labor's pro-capitalist program.

At the same time, Albanese spoke of "conflict in Europe and the Middle East, rapid increases in the price of food and energy and ongoing worldwide economic uncertainty." That must be taken as a warning of further austerity and war involvement.

Significantly, Albanese left open the option of winning the Coalition's support for the tax changes, noting that Liberal leader Peter Dutton had not yet revealed whether the parliamentary opposition would block the amended package.

Albanese also raised the prospect of negotiating with the Greens. If the Coalition decides to oppose the rejigging, the government will need the support of the Greens and at least two crossbenchers to pass the tax package in the Senate.

The Greens previously called for the scrapping of the Stage 3 tax cuts altogether, claiming to champion renters and the poor. But their leader Adam Bandt quickly put out feelers for a deal with the government. Bandt cited the Housing Australia Future Fund (HAFF) as an instance where the "Greens pressure" worked.

The HAFF agreement dropped all pretences by the Greens of advocating rent caps or freezes, which would have done nothing but slow or delay the massive rent hikes. The Greens embraced Labor's \$10 billion HAFF. To be invested on the stock exchange, the fund supposedly could result only in "up to" 30,000 "social and affordable" homes being provided over five years, and none before 2025. That is a drop in the ocean compared to the rapidly growing need for social and affordable housing, already exceeding 600,000 dwellings.

Any Labor-Greens deal would continue the history of the Greens shoring up or joining Labor governments as they inflict policies of widening social inequality and war on the working class. That included the Greens' vote in 2022 for Labor's legislation to reduce greenhouse emissions by only 43 percent by 2030, a far cry from what environmental scientists explain is necessary to avert irreversible global warming.



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