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TITLE: Forget GST, hit the rorts on super

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If Paul Keating's pet shop galahs are still alive I suspect they are talking about tax reform these days.

And no doubt all right-thinking galahs know that tax reform and increasing the GST is one and the same thing.

The Commonwealth government will collect \$363 billion in taxes this year, with state and local governments collecting a further \$83 billion in taxation. The GST accounts for around \$51 billion, or 11 per cent, of total revenue. Increasing the GST to 12 per cent would collect an additional \$10 billion or so. In an economy with a nominal GDP of \$1521 billion and a population of more than 22 million it is, quite simply, small change.

If raising the GST is "the solution" then "the problem can't be very big, which, of course, is exactly what the World Bank, the IMF, the OECD and the rest of the world have been trying to tell us. Australia is a low tax, low-debt country. The fact that our low level of debt is currently growing faster than the European average is cause for about as much concern as news that an infant has doubled its weight in six months. Small things often grow fast.

I know, I know, we may not have a problem now but we are facing massive problems in coming decades. But, having decided not to worry about climate change, the Australian government and our captains of industry have decided to focus instead on the possibility of budget deficits in 2050 instead. And again, if future deficits are the problem then the GST isn't the answer.

While increasing the GST to 12 per cent would collect an additional \$10 billion in revenue this year, tax concessions for superannuation cost about \$35 billion, of which about \$13 billion flows to the wealthiest 5 per cent.

But for those concerned with long-run "fiscal sustainability", the problem isn't the enormous size or incredible inequity of the tax concessions for superannuation, it's their rapid rate of growth.

Tax reform galahs know all about the age pension. They know it will cost \$40 billion this year and the National Commission of Audit seemed very worried that it was growing at 6 per cent per year, a whole 1 per cent per year faster than nominal GDP.

Tax concessions for superannuation are projected by Treasury to grow at an average of 12 per cent over the next five years. If, like the commission of audit, we simply assume things grow at their trend rates indefinitely then, by 2050, tax concessions for superannuation will cost \$2 trillion per year, which will be almost 100 per cent of Commonwealth revenue.

But while everyone knows the cost of the pension is “unsustainable”, it’s simply impolite to talk about reforming superannuation.

Bizarrely, the defenders of the biggest tax rort in Australia argue high-income earners with millions invested in the finance markets need “certainty” while simultaneously agreeing that low-income earners who rely solely on the age pension need to accept lower incomes and higher risk.

While super is the biggest tax rort, it’s not alone. The 50 per cent tax discount for income from capital gain, which cost the budget \$5 billion this year, is as inefficient as it is inequitable. The 100 per cent tax discount on capital gains on family homes worth more than \$5 million makes even less sense. And let’s not forget family trusts, fuel subsidies for the miners and that Google pays virtually no Australian tax.

There are plenty of wealthy individuals and companies doing more leaning than lifting. Australia needs tax reform. We need to collect more of it, and we need to collect it more equitably, which is why we should ignore what the representatives of big business want.

A CEO with millions in super, millions more in a waterfront home, and a share-based bonus scheme designed to deliver lightly taxed capital gains would be mad to push for genuine tax reform.

The fundamental tenet of market capitalism is that individuals act in their own selfish interests.

The fact that the highest income earners in Australia are so keen to push for a bigger GST rather than simplify our tax system by closing loopholes is the main reason we should ignore them.

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