

TITLE: Choice on tax is simple

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If business groups really want a simpler tax system, let's get rid of unfair tax concessions. Would they agree?

In a world of spin there is a simple way to find out what people really mean: give them a choice to make. Big business in Australia is banging on and on about simplifying the tax system, again, but do they mean it? I doubt it. How can we tell? It's simple really; they never seem to support any of the most obvious ways to make the tax system simpler and fairer. Consider the following options for tax reform.

We could start by stripping away the estimated \$15 billion dollars per year in tax concessions that we grant to the mining industry. That would simplify things quite nicely. At present the "complex" tax system has to make all sorts of distinctions, including deciding on whether diesel fuel is to be used "on road" (in which case it will be taxed) or "off road" where it will be tax-free.

We could remove the complex and distorting tax laws that ensure that income received from buying and selling things (that is, capital gains) are taxed at half the rate of income earned from going to work. Few people in Australia seem to understand that those who earn \$80,000 per year from selling assets pay literally half as much tax as someone who goes to work and earns the same amount. This complex tax concession on income from capital gains costs the budget about \$4.7 billion per year.

Which brings us to the near \$30 billion per year cost of tax concessions for superannuation, and all of the associated complexity. According to Treasury, about \$10 billion per year of those concessions goes to the highest 5 per cent of income earners. At the same time, the lowest income earners, including those receiving disability or carers benefits, receive virtually nothing.

A much simpler system would be to divide the \$30 billion up between all adult Australians and make a flat annual contribution to their super fund. If we wanted to make it fair, as well as simple, you could even means test such grants in such a way that those with the least received more, and those with the most received less. I wonder if the big end of town will support a "simple" idea like that?

Another clear case for simplification is the concessional treatment of company cars under the fringe benefits tax system. This subsidy, a subsidy that accrues almost entirely to the highest paid members of the community, actually increases if the car owner drives their car long distances each year. According to Treasury this little red tape generator costs the budget about \$1.2 billion per year. I wonder when the executives will begin chanting for its abolition in the name of simplification. And finally, there is the concessional treatment of the biggest polluters under the incoming carbon price.

In recent weeks the campaign against the soon-to-be-introduced tax has shifted to the argument that the \$23 per tonne starting price is just too high compared to schemes in other countries. What the government is too embarrassed to admit, however, is that the so-called "emissions intensive trade exposed" industries like steel makers will receive 94.5 per cent of their pollution permits for free. That is, they will not be paying \$23 for every tonne of pollution, they will be paying 5.5 per cent of that, or about \$1.27 per tonne.

It's hardly onerous. Wouldn't it be simpler if we just scrapped the near \$10 billion worth of free permits that we are about to provide the biggest polluters? It seems, from their public statements at least, that they are unaware of the generous concessions. If that is indeed the case, then maybe they won't even miss them too much if we directed those funds into health or education.

The simple truth about the big business push for a "simpler" tax system is that what they really want is to pay less tax. Of course, they are entitled to look after themselves. But the fact is, lots of other people really want more money spent on services and infrastructure. The problem is that only one group can get what they want.

Business groups understand that calling for tax cuts makes them look greedy, especially when mining profits, bank profits and executive pay is at an all-time high. So rather than simply come out and say that we should give them tax cuts they talk endlessly about the need to simplify the system. The fact is, they would prefer to see more money go into the pockets of their shareholders than spent on the Productivity Commission's disability insurance scheme or the Gonski review's education reforms. Indeed, it would be fascinating to know whether Gonski would prefer to see big tax cuts for business or big funding increases for schools.

Australia is one of the wealthiest countries in the world and we are in the middle of our biggest mining boom in history. Our banks are doing very nicely. Our mining magnates are throwing money at everything from rival soccer leagues to expensive propaganda. Everything, that is, except supporting the new mining taxes we need to improve our society and invest in the infrastructure of tomorrow.

There are obvious benefits to simplifying the tax system, but let's not pretend that simplifying the tax system is the same as paying less tax. If the business community wants to lead an honest debate about public policy then it should be honest about its objectives and honest about the consequences of pursuing those objectives.

If business groups really want to simplify the tax system then they should support the removal of tens of billions of dollars' worth of complex, and inequitable, tax concessions. In one fell swoop we could shorten the tax legislation, collect tens of billions of dollars, fund essential services and get the budget back into surplus more quickly.

Alternatively, if they just want to pay less tax they should be clear that they don't want the government to invest in disability insurance, education, public transport or indigenous disadvantage. That's a pretty simple choice, isn't it?

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