

Dr Richard Denniss, Executive Director of the Australia Institute

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**Richard Denniss:**

Thank you very much Allegra, and thanks to the Press Club and for everyone who's come here today, let me start by acknowledging that Ngunnawal and Ngambri people on whose land we sit and I pay my respects to their elders. Past, present and emerging and thanks to the Press club for having me back.

The last time I was here was in 2013 and it was to urge the major parties to break a promise.

In 2013, both major parties had committed to never touching the taxation of superannuation in Australia. Again, the finance industry had demanded such a commitment from the major parties and both major parties in the lead up to the 2013 election made that commitment and I'm proud to say the Australia Institute encouraged them to break it and I'm prouder to say that they both went on to break it and imagine today if we were still unable to talk about reforming taxation of superannuation because of a dumb promise made more than 10 years ago.

So, thanks for having me back to urge people to break bad promises again, tax is good. Tax is an investment in our society, and it is no accident that the highest taxed countries in the world are also the richest, most productive and happiest countries in the world. Norway does exist, Denmark does exist, and if we are going to have a tax debate in Australia that refuses to learn lessons from the most productive, cohesive economies in the world, then our tax debate will be as more abundant in the future as it's been in the past.

Australia is a low tax country. I'll just say that again. Australia is a low tax country. If we were to collect the average amount of tax collected by OECD countries, then this year we'd have collected an extra hundred billion in tax, but we're not aiming to be average and we're certainly not shooting for the top. We are here debating today, 20 billion in tax cuts. We are already a low tax country and we're about to get lower. Instead of collecting an extra a hundred billion dollars a year and spending it on the services and infrastructure that Australians so desperately need, we're going to cut taxes by \$20 billion.

No wonder our schools, hospitals, aged care, disability care, public transport lags so far behind the quality of services that anyone have been to these other countries that do exist have this is not an accident. Australian personal income taxes are not the highest in the world and they're not even high, not even close according to the OECD, those on average earnings in Australia are paying lower tax than the OECD average.

This is true for higher income Australians as well. Likewise, the OECD tells us that Australia does not have an excessive reliance on personal income tax. Allegra and I are going to agree on lots of things today we already have, but I tell you now, we do not agree that Australia over relies on personal income tax. What the OECD data actually tells us is that Australia under relies on taxes on wealth and under relies on taxes on pollution.

It's the absence of these other forms of tax that make it look like we're relying heavily on personal income tax. So, because Australia's a low tax country that lacks taxes on pollution, lacks taxes on wealth, has enormous tax loopholes for superannuation and family trust. It's true that we collect a high percentage of what little tax we pay from income tax, but the OEC is clear.

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We don't overly rely on income tax. We under-rely, we under-collect on taxes on pollution and taxes on wealth, but our so-called tax debate is so dishonest in Australia that the same business leaders who brag, who brag about the destruction of a carbon tax and who brag about the destruction of a resource rent tax, both forms of tax that economists like the same business groups that brag about the destruction of the broadening of our tax base are the ones complaining our tax system relies too heavily on personal income taxes.

This is outrageous. If Australia were to expand its tax base by taxing pollution, by taxing wealth, then it wouldn't look like we were over-relying on personal income tax. This is not complicated. The lobby groups, the business groups are having a bob each way having fended off carbon taxes and fended off resource profit taxes. They're complaining we're too reliant on personal income tax.

I should point out that many of the people who are expressing concern that changes to the stage three tax cuts are going to drive inflation. The same people arguing that often argue that we should increase the GST. I tell you, the one tax that'll increase the CPI the most, it's the GST. Why? Because it's a tax on everything. It puts the price up. Again, they're having a bob each way taking a lend. We're not having a serious debate about tax in Australia and all of the pros and all of the cons that Allegra referred to, we do need to reform Australia's tax system and the government is right to redesign the stage three tax cuts to deliver relief to low- and middle-income earners.

But you can't even start a proper conversation about tax until our business community will stop telling lies about the tax system. To be clear, according to the pinko lefty communists at the World Bank and the IMF and the OECD, which is now run by that well-known socialist Mathias Cormann Australia is a low tax country and anyone who can't say that out loud should be excluded from a debate about tax in Australia.

So, what needs to be done to fix our tax system?

Step one, do no harm.

Economics 101 says we should tax things we want less of and subsidise things we want more of. But in Australia today we spend \$11 billion a year subsidising fossil fuel use and extraction tax. Things you want less of subsidised. You think what things you want more of? We spend \$11 billion subsidising fossil fuels in this government's first budget.

There was one and a half billion dollars in a new subsidy for a gas development in middle arm in Darwin, one and a half billion dollars if we want to reform our tax system. Let's stop subsidising things that do harm. This is not complicated.

Step two let's do the simple things first.

Australia's the world's third largest fossil fuel exporter coming in behind Saudi Arabia and Russia. We come third, but even though we export a lot more gas than Qatar, Qatar collects 20 times more tax on gas than we do. We export more gas than them. They collect 20 times more tax on gas than us the easiest way and tax reform is easy; the economics is easy. It's the business lobby groups that are hard and some of them are here today.

So, let's have some fun questions.

The easy way to reduce our reliance on personal income tax would be to increase the petroleum resource rent tax. Let's do that. Let's collect billions of dollars in extra revenue and if the consequence of

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that is it discourages some investment in fossil fuels, as luck would have it, that's exactly what the climate scientists tell us needs to happen. You can't transition away from fossil fuels when you're expanding them, and we need the polluter pays principle to be at the heart of tax reform in Australia.

Step three, be fair.

We need to reduce inequality in Australia. Inequality is increasing, it's getting worse and not getting better. If, and it's a big, if we want to reduce the inequality, the tax system will be central to that. CEOs aren't going to give themselves pay cuts to reduce inequality, but I was surprised to see this week after labor announced changes to stage three to give bigger tax breaks to low-income earners. Some business groups rushed straight out and said, oh, they're getting a tax break. Fair wage commission could give them a lower wage rise. This is sick.

The market is not going to reduce inequality in Australia. And guess what? Those high taxing countries with high productivity and happy citizens, low inequality as well, it's as if tax has a role to play here. Scott Morrison, stage three tax cuts would've delivered \$9,000 to those earning over 200,000 a year and literally nothing to those earning under 45,000.

The government's changes to stage three are a good start, but we need to go a lot further. A simple economically efficient, and I'd argue popular solution would be to collect a lot more revenue from the petroleum resource rent tax and boost rent assistance and low-income earners struggling with their utility bills. If we collect more tax and lower the price of energy, lower the price of medicine, lower the price of childcare, lower the price of going to the doctor, you know what we'll do? We'll lower inflation. This is not complicated stuff, and we would reduce inequality and we would increase the wellbeing of millions of Australians.

Step four, we need to think big.

Whether it's climate change, the cost-of-living covid, the new Cold War, Australia's going to need a bigger, better public sector than we've had for decades. We've been told that what we need to do is cut taxes and cut spending and things will get better.

Well, they haven't got better. Inequality's got worse. The clearest and service delivery service quality in Australia is much worse. The clearest example of the damage that this trickle-down economics has done is that here we are in the week where our kids are going back to school in the middle of a skills shortage. We've got a teacher shortage. We've broken so many of our systems in the name of cutting taxes and cutting spending. We need to do things differently. We need big reforms.

Again, I agree with Allegra.

We need big reforms and indeed Anthony Albanese's decision to recast Scott Morrison's 2018 Tax cuts to Suit the economy of 2024 is the biggest and most honest piece of tax reform in Australia for decades.

The most honest tax reform, it's the change we need in the middle of a cost-of-living crisis. This government will legislate to shift around \$90 billion from the top 10% to low- and middle-income earners.

If he'd have stuck with the plan to give \$9,000 to those earning over 200,000 and stuck with the plan to give nothing to those earning under 45,000, it would've ripped at the fabric of our democracy at a time when democracy around the world is already fraying. It's hard to believe that Scott Morrison ever designed a plan that would deliver the temporary and timid stages one and two and the enormous and

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permanent and inequitable stage three. It's hard to believe he ever imagined it, but it's inconceivable in the middle of a cost-of-living crisis that a government could implement them.

Today the world has just changed too much in terms of change. In 2018, just after Scott Morrison announced the stage three tax cuts, he fronted up at the Press Club the day after the budget and he was asked by David Crowe about some modelling by the Australia Institute on whether the tax cuts run fair or not.

Mr. Morrison in characteristic style smirked laughed and said he hadn't done any modelling on the inequality, and he also said the Australian Institute was one of his favorite think tanks, but like most things he said, I'm not sure I could take him seriously at the time He did. However say that he'd wait until more reputable people went and did the modelling and they did and they confirmed everything that the Australian Institute said literally the day after the budget. The fact that treasury didn't know at the time is ridiculous. They either didn't look, or Morrison didn't want to talk about it.

I'm really proud to be here today with so many of my colleagues from the Australian Institute. There's a few around but I'd call out Greg Jericho and Dave Richardson and Matt Grudnoff who've worked for five years to expose how unfair these stage three tax cuts are and how important it was that we changed them.

So, thanks to the team at the Australia Institute.

Speaking of the Australian Institute, polling by the institute recently showed an overwhelming majority of voters would prefer governments to do what's right for the economy rather than just do what they promised. Most voters want the government to do what the times need.

When Scott Morrison broke a promise and had an enormous deficit during covid, the Australia Institute put out a statement congratulating, I don't mind when people break promises, I mind when they do dumb things, and it would be very odd to do the wrong thing simply because he'd promised to do it. We've got other problems in Australia though not just people breaking promises, but the best way to avoid breaking promises is to not make such promises. No, I mean this. We can't anticipate the future so promising what some other government will do in 10 years' time is dangerous and it's not even democratic.

It's a privilege for MPs to be there for a three-year term. They should focus on that and then they should present their plans and their record and go again. These 10-year, 15-year follies intergenerational reports going out decades, they don't help. They get in the way of holding politicians accountable for the decisions they make in the here and now.

Similarly, forcing people to rule out things all the time and saying there's a secret plan to do something if they won't rule it out. This doesn't help government, it doesn't help democracy, it doesn't help anyone except those determined to maintain the status quo. That's what promising to rule out change means just keeping things as they are. It's the opposite of reform. The world, our country, our democracy, our economy are all going to become more volatile and more unpredictable in the years ahead.

Whether it's the rights concern with the rise of China or scientists concern with the rise of global temperatures, it's going to get harder. It's going to get harder to hold our economy and society together. The way we collect and spend tax is one of the major drivers of the shape of our economy. It's one of the few things governments have control of. Governments promising not to use tax and spending policies is governments promising not to get involved in fixing things in the here and now. And if you

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don't believe these decisions matter, let's consider the fact that in Norway they tax the fossil fuel industry and they give university education to their kids for free.

In Australia, we subsidise the fossil fuel industry and we charge our kids a fortune to go to uni. Choices matter and the Australian government collects more money from hex than it does from the petroleum resource rent tax. Thank you, children. You are the backbone of our economy, not the gas industry.

Australia's one of the richest countries in the world and we can't afford to do everything we want, but we can't afford to do anything we want making stage three tax cuts. Fair is good for our society, it's good for our economy.

But if we're serious about improving the lives of Australians, serious about tackling climate change serious, about defending this vast continent of ours, it's time we admit that we can't have world-class services with a third world tax system scrapping fossil fuel subsidies, taxing tech platforms, closing loopholes.

We've got to have a system where our biggest companies and wealthiest Australians don't pay any tax. We have to reform that. Investing in free childcare will drive far more participation and productivity growth than any tax cut. Guess what? In the Nordic countries, they've got free childcare and women are far more likely to work than they are in Australia.

This is not top secret. This is not hard to find out in our tax reform debate. If we want to believe that cutting taxes will encourage people to work, shouldn't we compare it to what else we could do? There's not any research in the world that says that tax cuts would be better than free childcare at increasing labor force participation, particularly amongst women. We can invest in public transport and lower the cost of living. We can invest in essential services and improve our quality of life and our productivity. These are the big debates we need to have.

None of this is complicated. All of this is simple.

We won't all agree with each other, but the choices are pretty obvious and they're there for all to see. So just remember, if we only collected the OECD average amount of tax, we'd have an extra a hundred billion dollars to spend reshaping our economy every year.

What we do more of and what we do less of these are democratic questions and those democratic questions.

What do we want to do more of? What do we want to do less of? They should sit at the heart of any debate about tax reform.

Thank you very much.