The Coalition’s Real Action Plan for Lower, Fairer and Simpler Taxes

Stand up for Australia. Stand up for real action.
EXECUTIVE SUMMARY

After three years of Labor, Australia is heading down the wrong track.

Reckless spending, nearly $90 billion debt, six interest rate increases in a row, a $57 billion deficit and Labor Government borrowings of $700 million a week have put the Australian economy in a highly vulnerable position.

After three years of Labor’s spending and broken promises, the Coalition offers a better way – real action, prudent financial management and sustainable growth, driven by policies designed for higher productivity, to get Australia back on the right track.

With strong economic management, a responsible and disciplined budget approach and a continuing commitment to reform, the former Coalition Government was able to:

- massively reduce income taxes;
- provide targeted tax assistance to families;
- reduce taxes on business;
- abolish a series of archaic, complex and out of date taxes; and
- improve and simplify tax administration.

These reforms and reductions in the tax burden were central to the strength of the Australian economy and the encouragement of work and enterprise.

The top priority of a future Coalition Government will be to restore Australia’s finances.

The Coalition is committed to delivering lower, fairer and simpler taxes for Australian families and businesses.

We have already announced a commitment to reduce the company tax rate from 30 per cent to 28.5 per cent, commencing on 1 July 2013.

This is a step in the right direction - but further tax relief is needed.

However, the Coalition has taken the decision that any additional tax relief must wait until Labor’s debt is under control. The Coalition will tackle Labor’s debt first.

This is not an easy decision for the Coalition.

Delivering lower taxes is one of our core beliefs, and we have a strong track record of doing so. However, tax relief should not be delivered at the expense of responsible economic management.

However, a Coalition Government will deliver modest, targeted and economically responsible tax relief for Australian families and businesses in our first term.

We will also provide a clear medium-term pathway to further tax relief to be delivered once Labor’s debt is under control.
HOW LABOR HAS FAILED

Labor has opposed tax cuts in the past and stated their intentions to increase taxes.

The 2005 Budget delivered by the former Coalition Government contained across the board cuts to personal income tax beginning from 1 July 2005. Labor’s decision to oppose and vote against these tax cuts showed us their true colours as the party of high taxes. The then Shadow Treasurer, Wayne Swan, was instrumental in deciding to oppose the tax cuts. He cannot be trusted to deliver tax reform or lower taxes.

Tax reform has been neglected by Labor. The Henry Tax review made 138 recommendations – not one major reform recommendation was adopted in full by Labor.

Labor has not removed a single tax.

New taxes and higher taxes are part of the Labor Government’s DNA. Labor’s approach to tax reform is to introduce new taxes.

Since coming to office in 2007, Labor has not removed a single tax. Instead, Labor has needed to increase the tax burden to pay for its wasteful spending.

Decisions taken by Labor that have increased the tax burden include;

- Reducing in the generosity of employee share schemes;
- Removing concessions on fringe benefit taxes;
- Reducing the depreciation benefits for computer software;
- Reducing tax deductions for individuals;
- Tightening the exemption for foreign employment income;
- Introducing the ‘Alcopops’ levy;
- Increasing the luxury car tax from 25 percent to 33 percent;
- Raising the tobacco excise by 25 percent;
- Introducing a great big new tax on mining; and
- Planning for the introduction of a great big new tax on carbon.

Let there be no doubt that, if re-elected, Labor and the Greens will introduce a great big new tax on carbon which will increase the price of everything.

Australians cannot afford another three years of a high taxing Labor Government.
PATHWAY TO LOWER, FAIRER AND SIMPLER TAXES

The Coalition has a proud record of real and significant tax reform, introducing the GST, cutting personal and company tax rates, simplifying the overall tax system through the removal of sales taxes and a host of inefficient state taxes, and improving income assistance to low income households.

The Coalition believes in smaller government, prudent spending and low taxes.

The Coalition believes it is time to take real action to end the waste and to lower the tax burden on Australians.

Specifically, an elected Coalition Government will:

1. **Cancel the Minerals Resource Rent Tax**  
   This misguided and destructive tax is an attack on Australia’s strongest export industry. It will discourage investment and cost jobs. The burden of the mining tax will fall particularly heavily on the mining states of Western Australian and Queensland. The Coalition will stop this tax.

2. **Oppose Labor’s Carbon Tax**  
   Labor will introduce a carbon tax - a great big new tax on everything. This will push up prices right across the economy, putting increased pressure on families, households and businesses. The Coalition successfully forced Labor to abandon its original plan for a great big new tax on everything in the form of an emissions trading scheme. However, Labor remains committed to the introduction of a carbon tax. The Coalition will stop this tax.

3. **Reduce Company Tax**  
   The Coalition will reduce the company tax rate from 30 per cent to 28.5 per cent from 1 July 2013. This will deliver a lower company tax rate than Labor, providing relief for all Australian companies.

4. **Introduce a Tax Receipt for PAYE taxpayers**  
   The Coalition will improve transparency in the taxation system. Under the Coalition, every PAYE taxpayer will receive a taxation receipt that provides details on how their tax money has been spent. This initiative will help put pressure on government to ensure that tax revenue collected is spent wisely.

5. **Publicly Release all Henry Tax Review Information**  
   The report, ‘Australia’s Future Tax System Review’ (the Henry Review), is an important body of work that should make a significant contribution to the public policy debate. However, Labor treated the Henry Review with contempt and refused to release all the costings, modelling and other data underlying the Henry Review recommendations.

   Within 30 days of coming to office the Coalition will release this important information as the basis for a fully transparent and informed public discussion.
6. **Develop a Taxation White Paper**

The Coalition is determined to facilitate a proper public consultation and review process on taxation. Further to the public release of all Henry Review information, a Coalition Government will develop a Taxation Green Paper, followed by a White Paper.

Unlike Labor’s Henry Review process, our process will involve full public debate and consultation on the future of the Australian taxation system. We want a full, frank and vigorous national debate on the future of Australia’s taxation system.

The Coalition will use this formal process to determine a comprehensive tax reform agenda in consultation with the Australian people. We will then seek a second-term mandate for this tax reform agenda by putting our proposals to the people at the subsequent federal election.

Our key objectives for taxation reform will be the delivery of lower, simpler and fairer taxes for Australian families, households and businesses. Central to this will be the delivery of significant personal income tax cuts through lower and flatter tax rates. We will also seek to deliver further reductions in company tax - with the objective of reducing the company tax rate to 25 per cent.

7. **Guarantee that we will not introduce the following Henry Tax Review recommendations:**

- New taxes on business activity (R26)
- Scrapping the private health insurance rebate (R7(b))
- Means testing the Child Care Rebate (R100)
- Reduce indexation of the age pension (R84)
- New taxes and charges on small businesses and sole operators (R10)
- Remove structural and concessional offsets such as the Low Income Tax Offset without appropriate compensation (R5)
- Introduce a bequests tax (R25)
- Remove the Medicare levy (part of R5)
- Remove tax concessions, raising the gift deductibility threshold or changing income tax arrangements for clubs (R9e, 13, 41, 43 & 44)
- Taxes on Australians driving to work (recommendations 61-68)
- Include the family home in means tests (R88(c))
- Introduce land taxes on the family home (R52 & 53)
- Require parents to work when their youngest child turns four (Rec 85)
- Disadvantage families relative to separated couples (R91(b))
- Hit single income families (R92 & 93)
- Restrict eligibility to rent assistance for families (R103)
- Reduce overall remuneration to members of the defence forces (R6d, 8c & 9e)
- Reduce the CGT discount, apply a discount to negative gearing deductions, or change grandfathering arrangements for CGT (R14 & 17c)
- Remove dividend imputation (R37)
• Changing pensioner and low income concessions for utilities, transport and other essential services (R107)
• Offer a government annuity product (R22)
• Ask the States to charge market rents to public housing recipients (R106)
• Abolish the Luxury car tax (R80)
• Change alcohol tax (R71)
• Align preservation age with pension age (Recommendation in AFTS Retirement income strategic issues paper)

In addition, the Coalition will not increase the rate of GST or broaden the GST base.