THE SENATE

A NEW TAX SYSTEM (GOODS AND SERVICES TAX) BILL 1998

A NEW TAX SYSTEM (GOODS AND SERVICES TAX IMPOSITION—EXCISE) BILL 1998

A NEW TAX SYSTEM (GOODS AND SERVICES TAX IMPOSITION—CUSTOMS) BILL 1998

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A NEW TAX SYSTEM (INDIRECT TAX ADMINISTRATION) BILL 1999

A NEW TAX SYSTEM (WINE EQUALISATION TAX AND LUXURY CAR TAX TRANSITION) BILL 1999

Second Reading

SPEECH

Tuesday, 20 April 1999

BY AUTHORITY OF THE SENATE
Senator HOGG (QLD) (9.51 am)—I have been involved, on another committee, in an inquiry examining the developments of contemporary Japan and the implications for Australia and, interestingly, there was recently a financial stimulus package to try to boost its economy. Part of that package included an increase in the rate of consumption tax. From memory, I think it increased by about three per cent. The result of that increase in rate was to further depress the economy. People refused to spend because of the uncertainty that existed in the economy.

This is just one of the by-products of having a consumption tax—or a goods and services tax or a value added tax—that has no cap and no ceiling. It does nothing but flatten any stimulus in the economy at times when people are struggling. I was therefore interested in hearing what my colleague Senator Sherry had to say.

From my perspective on this issue, I want to address a few issues; in particular, the fact that the fundamental principle at stake in this is that we are dealing with an iniquitous tax which is based on a principle that I disagree with rather than on the principle of capacity to pay. I have always believed that taxation should be based on a person's capacity to pay and not upon anything else. In other words, those with the greatest capacity to pay should pay the most. Those with the greatest wealth, the greatest income, have, in my view, a moral obligation to pay the most in terms of their contribution to taxation.

No-one likes paying tax. If you asked people, `Would you pay tax if you had the option?' they would say no. It is a fundamental principle that those with the greatest capacity to pay should pay the most and those with the least capacity to pay should pay the least. That does not seem to be the focus of debate in this particular argument. The government is hell-bent on bringing about what it calls a new tax system, which my colleague Senator Sherry rightly described as not being a new tax system at all. The key issue is whether we should have a taxation system in which those with the greatest capacity to pay are let off the hook while those with the least capacity to pay get a greater amount of the burden. Should they have to bear that burden upon their shoulders?

To my way of thinking, the morally fairest position—and that term has been bandied around in this debate—is that those with the greatest capacity should pay the most. In other words, we should have a progressive tax system rather than adopting the goods and services tax, which is nothing other than a regressive tax system. By regressive, I mean that it tends to flatten out the rate of tax and tax everyone at around the same rate.

Under the GST, we are dealing with a taxation system which will discriminate against the poor, who are the most vulnerable people in our community. They are the people with the least ability to defend themselves and to fight for their rights. They have the greatest call upon whatever disposable income is at their beck and call. In my view, this tax discriminates quite markedly against the poor.

No matter what compensation package the government might put up in this case, it does not make its tax a just tax; it does not make the GST a fair tax. On that count alone, one would have to reject this tax out of hand because it shifts the burden from the rich to the poor. It shifts the tax burden from the strong to the weak. It shifts the tax burden to those who are vulnerable—those in the low and middle income earning brackets and those in the fixed income earning brackets. It shifts the tax burden to those people. To me, that is not morally sustainable.

People who have the least capacity to pay will be slugged with a tax that has no benefits for them in any way whatsoever. The GST does not distinguish between rich and poor on the necessities of life. It treats everyone equally in that sense and, in that way, it is a very discriminating tax. Everyone pays at the same rate. Government reforms are taking place when there has been no outcome of the reform to the corporate or company tax in this country. It is being done blind; it is being done in a vacuum. We have not seen what benefits the corporate sector will get. We have simply been told that there is a compensation package, albeit a miserable one, for the low income earners and disadvantaged people in our community. This whole process should not be taking place without knowing what is happening in the corporate area.

Meanwhile, in other places, the Prime Minister has announced tax cuts to the corporate sector to fund charity, at the same time as slugging charities with extra costs and taxes through the GST. Having said that, I want to
look at the less fortunate end of town. I received a number of people in my office in Brisbane who had made a submission to the Senate Community Affairs References Committee on 5 February this year as part of the inquiry into the GST. They felt that their case had been understood by the Labor Party members of the committee but had undoubtedly not been understood by the government senators who were present.

Those people were representatives of the Boarding House Owners and Managers Association and the Supported Accommodation Providers Association. Both organisations have for-profit membership. In other words, the members of these associations actually make a profit out of running a boarding house or a supported accommodation facility. In the Hansard of 5 February, at page CA 412, these people gave a synopsis of the type of people that they represent and the type of industry it is. They said:

As to the appropriate size of our industry, the 1990 Queensland government survey revealed over 1,000 licensed facilities housing over 23,000 clients. The people whom supported accommodation and boarding houses house are people with psychiatric and intellectual disabilities, people with alcohol and drug dependencies, people with acquired brain injuries, the aged, aged psycho-geriatrics, and others who are socially and economically disadvantaged already.

A 1990 survey showed that there are 1,000 facilities with 23,000 clients in Queensland. The extent of these facilities today and the number of clients they could or would be servicing I would contend has only gone up; it has not gone down in any way. There are no reliable statistics as to what the magnitude of the problem is on an Australia-wide basis.

It is interesting to note that the type of people they are dealing with are not those who are well advantaged. They are dealing with people who are severely disadvantaged; people with psychiatric and intellectual disabilities, alcohol and drug dependencies, and acquired brain injuries, and the aged and aged psychogeriatrics. In addition, whilst it was not on the list there, in their submission to me they clearly pointed out that they had many clients who were long-term unemployed.

We are dealing with a very socially and economically disadvantaged group of people and, in the words of those who came to see me at my office, we are dealing with those people who can be best described as being dysfunctional people in our society. We are not dealing with a small number; we are dealing with a very large number indeed.

The people from the Boarding House Owners and Managers Association and the Supported Accommodation Providers Association are in the business of providing long-term accommodation for these people. Whilst these people are in this long-term accommodation, they are invariably in and out of the accommodation whilst they seek further assistance for their problems.

These boarding houses and the Supported Accommodation Providers Association premises were typically identified with old men. That was what typified the boarding house scene many years ago. These people tell me today that it is quite the opposite. Today it is across the gender and across the age group. Where once upon a time there may have been clearly one group that could be identified in that accommodation, today it is across gender and across age.

Of course, these people use all of their disposable income. Most of the income they receive is from some form of social service benefit. We are not talking about those people who are well-endowed. It was impressed upon me that the compensation that the government is offering as part of its package, firstly, is not enough. The compensation is miserable when you consider the plight of these people. Secondly, any compensation will not last. It is not going to last the long term during which these people have to suffer their disabilities.

I will deal with the accommodation side of it in a few moments, but apart from that, the Supported Accommodation Providers Association in particular provides a range of services which will have the GST applied to them. Those services include services such as showering a client. Many of the clients in these facilities are unable to shower themselves so a fee is charged—and rightly—to shower them. Also, meals are prepared; in many instances first aid is supplied; laundry is done; cleaning of the facility has to be done; and personal grooming, such as hair cuts and the like, as well as clothing, have to be provided.

At the end of the day these people cannot afford a GST. In their minds a GST is a luxury that they can completely do without. When it comes to accommodation, if they stay 28 days or more in these facilities, a five per cent GST will apply to the accommodation and 10 per cent to the services. If they stay 27 days or less, a 10
per cent GST prevails. However, there is another clause. If less than 70 per cent of the people at the facility stay less than 28 days, then they pay a 10 per cent GST for the first 27 days of their stay and a five per cent GST for all the days thereafter. If that is not complex, complicated and confusing—firstly, to the people who are managing these facilities, and, secondly, to their tenants—and a financial nightmare, I do not know what is. This system will make life for these people infinitely harder quite unnecessarily. And, of course, it will bring upon itself all the complexities associated with that regime of stays that I have just outlined.

The government said post the inquiry that they had addressed this problem, but I sincerely believe that they have not addressed it at all in any way. Because, if the government were to address that problem, there would be hundreds of other similar problems which the government would equally have to address which they refuse to address. So, here we have those people who are already disadvantaged being further disadvantaged by the application of a goods and services tax.

Those people in our community who are in a wealthy position, who are well-heelled, will always look after themselves very well, thank you very much. They are already well-positioned to minimise their tax. Invariably they have a battery of solicitors, accountants and financial advisers to minimise their tax commitments. The disadvantaged people I have just spoken about have no such facilities at their disposal. They are invariably in poverty traps and are socially and economically disadvantaged. Yet we have the government telling us about this brave new goods and services tax, and we have these people who are going to be severely disadvantaged indeed. And remember, the figure of $23,000 that I quoted was from a survey back in 1990 and related to Queensland alone—no-one knows the full extent of the problem Australia wide. Bearing in mind that the government have said they would address the issue, it is my belief that they have not addressed it at all. But those people who are disadvantaged are not going to sit back and welcome a GST—they are, of course, going to be plagued by it.

A number of my colleagues have canvassed many of the issues, but the one that really sticks in my craw is on page 186 of the *Tax Reform: not a new tax, a new tax system* document issued by the government last year. On that page is an analysis of the benefits to various income groups and of various stations in life. The group that I want to refer to is entitled, ‘Single income couples with three dependent children one aged under 5 years.’

It is interesting to note that, where a person earns $25,000, the claim for the cuts to personal income tax and increases in family package benefits amounts to a miserable $23.94 per week. If you have three kids and you think a benefit of $23.94 is going to go anywhere under a GST then you have something new waiting for you. But the real inequity is when you look at someone who is on about $80,000, which is about the level of a politician’s wage. What does that person get? They end up being $152.56 a week better off from cuts to personal income tax and increases in family package benefits. I just cannot reconcile those figures. It really assists those who are at the better end of town—those who can afford it. This gets back to what I said at the start—that this should be a matter of principle whereby those people with the greatest wealth, the greatest capacity to pay tax, pay it and those with the least capacity get the greatest benefit. But if you look at that example alone, it shows quite clearly what the government’s package is designed to do. It is designed purely and simply to assist those who are the most advantaged and to disadvantage those who are the most vulnerable in our community. *(Time expired)*