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

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

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

A NEW TAX SYSTEM (AUSTRALIAN BUSINESS NUMBER) BILL 1998

A NEW TAX SYSTEM (AUSTRALIAN BUSINESS NUMBER CONSEQUENTIAL AMENDMENTS) BILL 1998

A NEW TAX SYSTEM (END OF SALES TAX) BILL 1998

A NEW TAX SYSTEM (PERSONAL INCOME TAX CUTS) BILL 1998

A NEW TAX SYSTEM (COMPENSATION MEASURES LEGISLATION AMENDMENT) BILL 1998

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A NEW TAX SYSTEM (TRADE PRACTICES AMENDMENT) BILL 1998

A NEW TAX SYSTEM (COMMONWEALTH-STATE FINANCIAL ARRANGEMENTS) BILL 1999

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A NEW TAX SYSTEM (WINE EQUALISATION TAX) BILL 1999

A NEW TAX SYSTEM (WINE EQUALISATION TAX IMPOSITION—GENERAL) BILL 1999

A NEW TAX SYSTEM (WINE EQUALISATION TAX IMPOSITION—CUSTOMS) BILL 1999

A NEW TAX SYSTEM (WINE EQUALISATION TAX IMPOSITION—EXCISE) BILL 1999
A NEW TAX SYSTEM (LUXURY CAR TAX) BILL 1999

A NEW TAX SYSTEM (LUXURY CAR TAX IMPOSITION—GENERAL) BILL 1999

A NEW TAX SYSTEM (LUXURY CAR TAX IMPOSITION—CUSTOMS) BILL 1999

A NEW TAX SYSTEM (LUXURY CAR TAX IMPOSITION—EXCISE) BILL 1999

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 O’CHEE (QLD) (10.48 am)—Madam Acting Deputy President, 1,500 years ago St Augustine is reputed to have said, ‘Lord make me pure but not just yet,’ and 1,500 years later we see his tax acolytes on the other side of the chamber saying, ‘Give us tax reform but not just yet. Give us tax reform but do not give us real tax reform,’ because they do not want to accept the replacement of the wholesale sales tax and other indirect taxes with a flat, fair and transparent goods and services tax. This is what this debate is about.

And they come up with the most spurious reasons for opposing this package. Let me start with the speech we heard today from Senator Allison. The Democrats now oppose tax reform because they are concerned that we are reducing the cost of transport in Australia by reducing the impact of sales tax on trucks and by reducing the amount of excise that the government will get from heavy vehicle users, this in a country which has one of the sparsest populations in the world and this in a country where many people live not hundreds but thousands of kilometres from capital cities and are dependent upon road transport for their very existence. Yet the Democrats say to these people, ‘We are going to oppose these tax reforms, we are going to oppose these methods of reducing the cost of doing business outside the capital cities, for the spurious reason that we are concerned that it is going to damage the environment.’ If they wanted to be consistent, the Democrats would say, ‘Let’s get rid of trucks altogether. Let’s go back to the days of the horse and cart.’ That surely would meet the requirements of improving people’s standard of living and improving the health of the nation. The only problem is that when we had horses and carts people died of diseases because of the excrement lying in the street.

The Democrats just cannot have it both ways. Either we are going to live in the 20th century—or the 21st century in a couple of years time—or we are not. It is so utterly hypocritical for the Democrats to run around before every election saying, ‘We are going to represent the bush,’ and yet, when proposals come up that would actually do something to alleviate the tyranny of distance, vote against them every time. Of course they are arguing an absurd proposition, because the amendments foreshadowed by Senator Allison would do away with the diesel fuel cost reductions for heavy vehicle users but completely remove diesel fuel excise from rail. They accept the fact that you have to use diesel; they would rather have trains use diesel than trucks. That would be a fine proposition if everybody lived right next door to a railway station, but of course not everybody in regional Australia does live next door to a railway station.

The reason we have trucks in regional Australia and elsewhere is so that you can take goods from places that do not have railway stations next door to other places that do not have railway stations next door. The Democrats forget the fact that even the goods that go by rail—for example, from Brisbane to my home in Cairns—get to the railhead and then need heavy vehicles to move them from the railhead to the store, the business or whoever it is that needs them. But, of course, the Democrats have never been accused of living in the real world.

This is a spurious reason—a desperate reason—the Democrats have come up with to oppose tax reform. They had already decided before this package came out, before the Senate inquiry, that they were going to oppose tax reform. Then they found that the arguments for tax reform were incredibly compelling, so they had to desperately run around trying to find some reason to oppose bringing in this tax package. Of course, the other argument we hear, not just from the Democrats but from the Labor Party, is that it is somehow iniquitous to put a GST on food, as though there is not an indirect tax on food already.

I never heard, when we were in opposition and the Labor Party occupied the Treasury benches in the chamber, one member of the Labor Party oppose increases in sales tax, including that on food, which were brought in without compensation. I never once heard them oppose it. I never heard them argue that it was inequitable to put sales tax on food. I never once heard them argue that it was inequitable to put increases of sales tax on food without compensation. But, suddenly, they want to argue that indirect tax on food is wrong. Sadly, however, the experts disagreed with their point of view. For example, Professor Neil Warren, in relation to the effect of taking GST off food and whether it would be good or bad for low income earners, said:
In fact, the top 20% benefit twice as much in terms of dollars and cents from zero-rating food, as does the bottom 20%.

So here are these people in the Labor Party who argue against a GST on food because they think it is somehow going to advantage the poor. In fact, if you accept their argument, it advantages the rich—it does not advantage the poor at all. Angela Ryan from the Australian Society of Certified Practising Accountants said that the benefit is two to one in favour of the top 20 per cent of households versus the bottom 20 per cent of households. That is a two to one benefit.

If you take the GST off food you turn gluttony into a legal form of tax avoidance. The rich, who have the disposable income, will eat their way through the tax bill. They will eat their way through avoiding tax. There is no real benefit given under that proposal to the poor. Professor Cnossen from Europe said:

Research and experience in other countries proves that the best GST is a GST with a single rate applicable to all goods and services. A zero rate on food is largely ineffective in mitigating the GST burden on the poor. Zero rating food is like giving stones for bread to the poor, because they continue to pay the GST on other items of consumption. The poor are helped more effectively through changes in income-support systems and, to some extent, the income tax.

Of course, that is exactly what this coalition government is doing. In all of the hearings that I attended, I never heard the opposition senators on the inquiry wanting to talk about the changes in income tax measures. I never heard them wanting to talk about the offsetting changes to direct tax—offsetting changes that they never introduced when they increased indirect tax. They never introduced changes offsetting changes in direct tax.

They never wanted to talk about that because it was embarrassing for them. It was embarrassing because, no matter how they structured the modelling proposals that they put forward, the experts commissioned by the Senate select committee kept on coming up with the fact that this tax package was good. I am sure if you sat down and tried hard enough, and worked out enough outrageous and biased assumptions, you would eventually be able to find, by modelling and twisting the numbers, somebody who was worse off.

It is very interesting that the opposition members and Democrat members of the committee insisted on having NATSEM do a series of 10 different simulations, 10 different assumptions, that they used to try to work out whether this tax system was good or bad. Of course, they were terribly disappointed. If you read the comments in the report, they feel almost betrayed that Professor Ann Harding and Professor Neil Warren did not agree with them—they said that some of the situations they were asked to model were unrealistic, absurd—and the palpable sense of betrayal by the Labor Party really has to be seen to be believed.

Here are the facts. NATSEM examined several thousand household types in the assumptions that they were asked to model. Out of 6,090 household types that they modelled, across 10 simulations, they came up with only 85 household types, out of the 6,090, who were not beneficiaries from tax reform, and those households were exclusively in assumption sets that NATSEM said were not realistic. One of the assumptions that the Labor and Democrat senators wanted them to model was that low income households, over a long period of time, would consistently spend 20 per cent more than they earned. You cannot do it over time. It is absurd, as Professor Harding and Professor Warren said. But that does not stop the people on the other side from clinging to their prejudices.

A final word should be said about the impact of tax reform on primary producers, who are the real poor in Australia because of all the tax imposts that the previous government put on top of them. Primary producers are in fact some of the big winners. The National Farmers Federation, in its submission to the committee report, outlined a summary of increases in average annual disposable income for different farming operations. This is very important.

The table says—and I will be selective—that at the bottom end a small Queensland banana farm, the one that benefited least, was $1,291 better off in disposable income after this package took effect. A large New South Wales sheep grazing operation was $11,570 per year better off in disposable income. A New South Wales dryland cropping and sheep grazing operation was $15,760 better off. In my state of Queensland, a medium-sized banana farm was $10,010 better off, and a large North Queensland banana farm was $49,650 better off in disposable income. Yet the people on the other side of this chamber want to oppose these tax reforms. The people on the other side of the chamber want to deny Australians the benefits of tax reform.
One of the most absurd arguments I have heard came from a friend of mine on the other side of the chamber, Senator Hogg, who complained that a middle income family with three children was only $23.94 better off in disposable income every week, after you took into consideration the benefits of the price changes. He said, 'This isn't good enough.' But, when they were in government, the opposition never in their wildest dreams delivered, or even talked about delivering, tax cuts of the magnitude of $23.94 to an average, middle income family with three children.

They never did it. We are doing it, and now they say it is not enough. The acolytes of Saint Augustine ought to learn a lesson after 1,500 years. I say that, instead of arguing, 'Lord, give us tax reform but not quite yet,' they should say, 'Lord, give us tax reform and give it to us now,' because if we accept the arguments of the opposition there will be no tax reform, there will be no benefits, and everybody in Australia will be worse off.