THE SENATE

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

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

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A NEW TAX SYSTEM (AUSTRALIAN BUSINESS NUMBER) BILL 1998

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

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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 BARTLETT (QLD) (11.42 am)—I rise to speak on A New Tax System (Goods and Services Tax) Bill 1998 and the 26 other pieces of legislation that go with it to make up the overall new tax system the government is proposing. I speak as the Australian Democrats representative on the Senate Community Affairs Committee that looked at a number of aspects and potential implications of those various bills—a committee that was chaired by Senator Crowley, the previous speaker.

We had the spectacle of the Prime Minister on the *Sunday* program at the weekend doing a fairly poor job of defending what I guess is the indefensible, so it is not surprising he did a fairly poor job, but he nonetheless continued to insist that any changes to this package would simply be a matter of finetuning. Certainly in my view, and in the view of the Democrats, this package does not need finetuning—it needs a comprehensive and major overhaul.

Many issues arose, even within the limited terms of reference that the Community Affairs Committee was looking at, that I believe need significant attention. I will address a couple of those in my contribution today, mainly the issues of health and housing. The committee also looked at what has been called the charitable or non-profit or community sector. I will not speak long on that because my colleague Senator Bourne addressed that in some detail in her contribution last night.

But it is worth emphasising again, firstly, how huge that sector is and what a major component of the Australian economy it actually is. It is not just a few quaint little charities off on the side; it is a massive component of our overall economy, such that if it is damaged—as the tax package as it stands at the moment will undoubtedly do—it will have significant economic effects on Australia, as well as obviously impacting in a very negative way on the enormous number of varied and important services and contributions to the community that the non-profit sector makes.

Indeed, there has been a lot of attention paid to date to the views that the Democrats, ACOSS and many other community organisations have about this package that are focused on the unfairness of taxing food and the need to exempt that. That is certainly something that I strongly support.

In my view, if the impact of this legislation on the charitable or non-profit sector were not addressed, it would be an issue of equal gravity and equal seriousness. This is something the Democrats have outlined in our responses to the government's various versions of their tax proposals, both before the election and after. But it certainly has not got the attention that the issue of food has got, perhaps because food is a little bit easier to understand—you either tax it or you don't.

The wide-ranging impact on the non-profit sector is something that I do not think is widely understood by the Australian community. It is much more complicated. It does impact in a much wider range of ways and it is still shadowed by uncertainty. As Senator Crowley just outlined, in the Senate committee process it was very difficult to get a clear indication from the government and from government departments about how various aspects of the package would operate in relation to some of the activities of non-profit organisations. Obviously that makes it very difficult to ascertain what the impact is likely to be.

I try to have as much contact as possible with the non-profit sector of the community and the economy, because I believe that its role needs to be promoted and supported wherever possible. There is clearly still a large degree of confusion and uncertainty out in the community about the impact of various aspects of this tax package on that sector. That is not just a matter of that sector being less clever than the rest of us, not actually having been able to read the legislation or not having got the right briefing from Treasury or whatever; it is often a factor that it is not possible to get the information, or the information it gets is conflicting, or the operation of the package in the specific circumstances is unclear. When we as a parliament examine proposed legislation put forward by the government, we are actually not able to get full details on how something is going to operate, let alone full details from Treasury or anywhere else within the government about their projections of what the impact is going to be. I will speak on that issue a bit further.
The Democrats strongly support the principle that health should be GST free and we do welcome the government's enunciation of that principle. A lot of hoo-ha goes around the place about how the whole integrity of the system would collapse if food were exempted: 'It is too hard, you can't draw the line, compliance costs would go through the roof,' et cetera. With all those sorts of arguments being put forward by the government, it is worth emphasising that most countries in the world seem to manage to do it without too much hassle. Nonetheless, the government has recognised the principle of exempting health services from the GST. For some reason or other, there does not seem to be a problem there with drawing lines or with compliance costs, et cetera; it is only when you try to exempt food that there is a problem.

Taxing health services and products creates a disincentive for people to seek health care and results in a sicker and less productive society. In other words, it is counterproductive to tax health services. In addition to supporting this principle, the Democrats believe that the definition of health which the government has put forward is not broad enough. It does need to be broad enough to include a wider range of products and services—again, to ensure that there is a basic principle of not having a counterproductive measure that actually discourages people from seeking health care and that discourages people from undertaking measures that prevent them from getting sick. Anything that does that is something that is obviously counterproductive. Apart from being undesirable because people get sicker, it would put a greater economic burden on the country and on taxpayers' money. Therefore, even from that basic economic principle, it is counterproductive and false economy.

The Democrats believe that the current exemptions provided in the legislation for health products and services are too restrictive. Contrary to the government's stated intention of making health GST free, the legislation as it stands would place a GST on a range of commonly used health products and services. The Democrats believe that this would discriminate against people who access these products and services and in particular impact on people with a chronic illness or disability, older Australians and particularly those who seek their health care and have their health needs met by measures outside the mainstream health system. Therefore, the Democrats will be moving a number of amendments to these bills in the committee stage to ensure that the GST does not increase the cost of health services and products to those who are already disadvantaged.

The Democrats believe that all products approved by the government as therapeutic goods should be GST free. Currently these products are all sales tax exempt, so introducing differential tax treatments within this sector, as these bills propose to do, would create pricing inconsistencies and market distortions. It would also impose an additional cost burden on specific disadvantaged population groups such as people with chronic illnesses.

During the inquiry of the Senate Community Affairs Committee, evidence was provided that high level users of over-the-counter medicines would be significantly disadvantaged by the tax package as it stands. Evidence was provided not by the government, who did not seem to have looked into that matter, but by the community sector which, as I have already said, plays a valuable role and is also massively underresourced. It is a great shame—indeed, a disgrace—that the Senate and the parliament need to rely on information from the community sector that they cannot get from the government. Not only that but they cannot get responses to information that the community sector puts forward.

I was very concerned to hear evidence provided to the committee that, to many of those people who are already struggling to meet their health care costs, even a small increase in the cost of pharmaceuticals can make the difference between their being able to afford all the medication or health treatment they need and having to choose which medicines are more important. I am also concerned that the government have not produced any data on the different consumption patterns of specific population groups who are high level users of medicinal products. We have the widespread refrain from the government that no-one will be worse off under a GST, but without accurate data I am at a loss to see how the government can make these claims when they cannot assess the impact of a GST on these population groups.

The evidence provided to the committee was that there is an increasing trend for consumers to self-medicate and use over-the-counter medicines for the management of common health problems. Many popular medicines such as Panadol, Codral and Mylanta will incur a GST under the legislation. Medicines such as these are used very frequently by people on low incomes, the chronically ill and the elderly.

Evidence was provided to the committee of the problems that the differential tax treatment would cause in a number of areas. For example, having different rates of a GST on different pack sizes of the same product has the potential to create confusion for consumers and to induce behaviours contrary to achieving quality use of medicines and optimum health outcomes—all this from a tax system that is supposedly meant to make things
simpler. There is also the potential for people to seek medicines on prescription to avoid the GST. Clearly that would not be cost effective—another counterproductive measure—in that it would result in an additional cost to another part of the health system.

Another difficulty in trying to tax medicines at different rates is in distinguishing between those that do incur a GST and those that do not. The government’s use of the system for the uniform scheduling of drugs and poisons for the purposes of a differential taxation treatment is, in the Democrats’ view, clearly inappropriate. The National Drugs and Poisons Scheduling Committee is not a Commonwealth committee and therefore the Commonwealth has limited input into scheduling decisions. Which drugs get placed on which schedule is usually based on health related matters but now will have significant tax treatment consequences depending on whereabouts in a schedule a drug is put. The decision about what goes into what schedule is the responsibility of state and territorial governments, because the Commonwealth does not have constitutional authority to control prices at the point of sale. Therefore, there is considerable potential, given that the state and territory governments are the recipients of the GST pool of funds, for these scheduling decisions to be influenced by the revenue considerations of the states. The Democrats will not be supporting a GST on over-the-counter medicines.

In terms of the issue of complementary medicines, often referred to as alternative medicines, the Democrats believe that complementary medicine is an integral part of Australia’s health system, helping consumers to remain healthy or avoid further illness and thus saving costs elsewhere in the health budget. It is important to emphasise the point that it is saving costs elsewhere in the health budget, and to put in place a mechanism that actually discourages people from using health services, particularly ones that are preventive, is obviously economically counterproductive and is likely to cost money. These different concerns that the Democrats raise are not all simply a matter of, ‘We can’t do that because it is too expensive.’ Many of these concerns that we have will actually not involve costs to the budget bottom line, and I would suggest that in many cases such as these they may produce a saving once you look at the flow-on effects throughout the whole system.

The Democrats support the right of Australians to choose complementary medicine or alternative therapies and recognise that already consumers of complementary medicine rarely receive any government subsidies for these products and services. People using complementary medicine should not face a further financial burden and a further disadvantage because they choose a different mode of health care, and clearly a mode of health care that people believe, through their own choice, through their own experience, suits them and works for them. I have to declare an interest, or perhaps a non-interest, and say that it is actually an area of health care that I do not engage in myself. I am a conservative person in that regard and stick to the humble traditional GP, but I know many people who are not so fussed on that approach and do feel that their health care needs are much more adequately met by the use of complementary medicines and health practitioners.

There is a range of anomalies in the government’s tax package with regard to complementary medicine. For example, if a complementary medicine service is provided by a hospital or a doctor, it will be GST free. However, when it is supplied by a complementary medicine practitioner, who is also likely to be more highly trained and experienced in that area, it will incur a GST. Acupuncture is a good example. You are left with the situation where if someone goes to a professional specialist acupuncturist who is highly trained in that specific area of health treatment it will incur a GST. If they go to a GP who, whilst no doubt highly competent, is most likely to have received little training in acupuncture, and get that acupuncture treatment from the GP, it will be GST free. That is clearly unfair discrimination.

The committee heard evidence that people may decide to go to bulkbilling doctors instead of natural therapists in order to receive a GST-free service and in many cases a heavily subsidised service, a service that they can also claim back on Medicare. This would represent an increase in the costs of Medicare, again affecting the budget bottom line, and would not result in an optimum use of health resources. The government’s plan to impose a GST on complementary medicine is discriminatory and contradictory. It would inappropriately discriminate between doctors and natural therapists and also would discriminate in favour of that group of doctors who perform or prescribe complementary medicine and can claim Medicare benefits as ordinary consultations.

It is important to remember that some complementary medicine, again using the example of acupuncture, are more commonly used than many of the health services specified by the government as GST free. The Senate committee was provided with evidence that acupuncture has been widely accepted as a mainstream health service, with rebates being paid by all but one national health insurer for acupuncture services. Of course, a number of health insurers also rebate for other complementary medicine services, such as Chinese herbal medicine. The government, on the contrary, has not provided any evidence to support a GST on complementary medicine.
I believe the Democrats approached this committee process with a much more open mind than any of the other parties participating in the process and were willing to consider the evidence, particularly on some of these areas which were not up in the high echelons of public attention such as exempting food, et cetera. Some of this finer detail, though it is in a smaller area, can have a major impact on a large group of people, both individual consumers and in terms of businesses, professions and practitioners. We were willing to listen to that evidence. We got stacks of it from the community and we got virtually none in response from the government. That is something I found very disappointing, and it makes it very hard to do anything other than recognise the validity of the claims and arguments put forward by the community, through this one mechanism for them to have proper input, if the government do not provide any counter-response or any information to explain why they are doing what they are doing other than just saying, 'It was in the tax package, we are in government, so you have got to get out of the way and let us do what we want to do.' I am sorry, but the parliament is here for a reason, and it is to look at the legislation the government puts forward, and that is what we are doing.

The Democrats recognise diversity in health care and respect the right of people to choose from a range of different health care options for themselves and their families. We do not believe that people should be penalised for choosing health care outside of the mainstream Western medical model. We therefore do not support a GST on complementary medical services or products.

Due to time constraints, at this stage of the debate I will not be able to go into much detail about the issue of housing, despite the fact that housing is indeed another major component that is obviously as significant in people's ability to survive as the affordability of food. In the brief time that I have left, I would point out that again we have an area where there has been virtually no work done by the government at all on the impact on the private rental market, an area that provides housing for about a quarter of the Australian population.

We had the blanket statement that Treasury modelling says that the cost of buying a house will go up 2.3 per cent and therefore the cost of all private rentals across the country will also go up uniformly by 2.3 per cent—a farcical statement. The private rental market is a completely different market and anyone who gives even a cursory glance at it would realise that it varies enormously between the city and different parts of regional Australia and even within different parts of individual cities. There are major differences in the operation of the private rental market. To suggest that there will be some nice uniform rise in exact proportion to the rise in housing prices is just ridiculous and it clearly shows the inadequacy of the government's modelling in that regard.

There is a major issue in the loss of compensation for people who are recipients of public and community housing, who are having the value of their compensation reduced. Their pensions will go up by a certain amount, but 20 to 25 per cent of that will immediately be lost by an increase in their rent. There are issues in relation to the operation of the Commonwealth-State Housing Agreement as well which, hopefully, I will be able to talk about further when that issue comes up in the committee stage of the debate. I simply conclude by indicating that housing is another area that does need further examination. There are some potential major impacts on the community that have not been adequately addressed as part of this package and I am sure we will be giving them further scrutiny at a later stage.