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

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

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A NEW TAX SYSTEM (INCOME TAX LAWS 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

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

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 WEST (NSW) (12.02 pm)—Today we are debating 27 pieces of legislation that relate to the introduction of a new tax system, commonly known as the goods and services tax. It is a pity that people did not actually ask what the precise details were of all of the 27 pieces of legislation, because there are a couple in there that have some nasty stings in the tail. To start with, I want to talk about the four that relate to the wine equalisation tax. This is a very important issue for a number of rural and regional areas in Australia, particularly in New South Wales.

The wine equalisation tax follows the decision by this government to actually tax wine at an ad valorem rate rather than at a per volume rate. This has raised a number of extreme concerns amongst people in the industry, particularly when it is remembered that there are about 1,000 wineries in Australia and that 80 per cent of those rely extensively on cellar door sales. Therefore they are relying upon the ad valorem, not the volume. Five hundred and fifty wineries crush less than 50 tonnes of grapes per year. One tonne of grapes produces about 60 cases of wine—that is around 700 bottles—so 50 tonnes would produce 2,500 to 3,000 cases of wine.

The wine industry transforms $830 million worth of grapes at the farm gate into $2.3 billion in wholesale value and greater than $4 billion in retail sales. This final product is therefore between five and seven times its farm gate value. Australia-wide cellar door sales account for about $216 million annually and for many smaller wineries provide over half of their income. If people want to question where I get these figures from, I suggest they look at page 38 of the Winemakers Federation of Australia submission to the Senate select committee; they are there.

The other thing with wineries in regional areas is that the visits, the tours and the tastings are becoming not just a very important part of the industry but a very important part of the whole region. If you go and look at the Mudgee region, it is set up not just for the cellar door tastings; the whole of the community—the whole of the region—is gearing itself to the tourism that hangs off that particular activity. People just do not come to the area, go to a cellar door and have some tastings; they stay overnight, they have accommodation, they eat in the town, they buy memorabilia and they buy goods and services in the town.

We know that the tourism industry has concerns about the impact of the GST upon their industry, but when you add that to this impact upon the small grape growers you have some real concerns, and they are something that this government obviously appears not to care about or to be doing anything about. The debate about whether the tax should be ad valorem or by volume is one that needs to be had. It needs to be had up-front and publicly. The general public and the wine industry need to be able to publicly—and with care and consideration—discuss and debate the issue. But this particular piece of legislation has been caught up in the GST and it is sliding through without any great understanding, I would suggest, by the industry of what precisely is being planned.

That certainly is the case because I know, from having an office in Orange and living in Bathurst where the cool climate wines are now beginning to become very popular and a significant part of the industry, that the people there are concerned but are not quite sure what the impact is going to be. Nobody has actually gone out and spoken to them. We had the advertising campaign during the election and we had the 1800 or 13 numbers or whatever they were that people could ring to ask questions about how they were going to be impacted upon, but nobody specifically went and canvassed and discussed in a constructive manner with these industries what it meant for them. Certainly their peak bodies are now very concerned and are writing to us on many occasions to express their concerns. The Labor Party is concerned. In the lower house we moved amendments to try and at least alleviate some of the problems and concerns of the smaller wine growers, because we do not want to put those people out of business. Their business is too important to our regions.

The regions of Australia have suffered enough at the hands of this government. This government seems to not care a great deal about regional and rural Australia because it keeps on reducing the services available there. If this legislation is allowed to go through, the government will be unleashing another attack upon a very important and growing industry in the regional sector. It is an industry of which Australians are justifiably very proud. It is one of our best export earners, and increasingly so. Why attack this industry at this particular stage?
For wineries to be able to export, they first of all have to build up to be large enough. But, as I have said, for some of the smaller ones there is no way in the foreseeable future that they will be an export business. Some of them are producing just for specialised restaurants. They have a niche. The Deputy Prime Minister is exhorting people to find themselves a niche market, and they have found a niche market. Because this tax will be ad valorem, these people will be penalised, and penalised quite severely.

This tax, and these tax reforms, take my mind back about 20 years. I was discussing this with one of my colleagues, and I cannot remember whether it was in the 1979 budget or the 1980 budget that the then government—these people who are now in government—wanted to impose a sales tax upon food, clothes, a number of tools of trade and books. As a candidate for a lower house seat, I can remember campaigning very strongly then against that piece of legislation. My attitude in the last 20 years to imposing a tax on food, a tax on clothing and a tax on books has not changed. To attack the essentials of life I think is obscene. I do not have to think a second time about this.

I have had concerns about and have been opposing these moves for 20 years. While ever this government continues down this path I will continue to express my opinion, because when you start to tamper with tax and make it more expensive for people on low incomes and easier for those of us on high incomes we are abrogating our responsibilities. I think it is immoral. I was reminded of this when I read a document, Commonwealth: applying Catholic social principles to public policy this morning from the Catholic Social Welfare Commission. At the top of the document there is a quote from Gaudium et spes, n64, which says:

> . . . economic activity is to be carried out according to its own methods and laws but within the limits of morality . . .

It is very true. These pieces of legislation impose a burden upon those who are less well off that it does not impose upon those who are wealthy.

Let us start with the tax cuts that the government is offering as compensation to those people who are employed. As a single person, I want to look at the cameos that are set out from page 178 onwards in Tax reform: not a new tax, a new tax system, circulated in August 1998. Let us look at how tax cuts and changes to benefits will affect me. A single person who is on $25,000 income will get cuts in their personal income tax—and therefore a percentage increase in their family benefits—of $12.31. A single person on a backbencher's wage—whether they be in a state parliament or the federal parliament—will get a tax cut of $85.77. My only dependant is my dog. My dog and I do not need $85.77 extra a week.

Senator Patterson—How much wholesale sales tax do you pay on dog food?

Senator WEST—My dog eats fresh meat and fresh food, so he does not pay any sales tax.

Senator Mark Bishop—He eats leftovers.

Senator WEST—That is right. Because he goes to a kennel, which is a service that I am buying, there will be a tax on that, so my dog's kennel charges will go up but I wager that they will not go up by $85.77 a week. If I were earning $25,000 a year, I would receive only $12.31 extra a week, and that probably would be what the additional cost of boarding my dog would be.

This government does not care. Let us also look at somebody who is a sole parent with a dependent child under the age of five years—someone in my situation as a widow and who has a child under five years. If they were on an income of $20,000 a year, they would get less money—$7.74 less a week. But going back to the person earning $25,000—a single person with one child—they will get $3.08 per week extra. But our backbencher, also a single parent with one child, will get $112.05. Let us look at the position of a sole parent with two dependent children, one under five years of age. On $20,000 a year they will get $4.09 a week less than what they get now, unless there is a mistake in the figures the Treasurer has given us. On $25,000 a year income, they will get $4.24 a week extra in their tax. The backbencher will get $126.53 extra. Is that fair? I say, 'No—absolutely no.'

Let us look at a single income couple on $25,000 a year with one dependent child under the age of five. They will be getting $23.59 a week extra; the backbencher on $80,000 a year is going to get $102.07 a week extra. Is there fairness in that? No, there is not—one whatsoever. A person on $25,000 a year with one dependent child between five and 13 years of age is going to get an extra $18.04; the backbencher is going to get an extra $86.93. A single income couple on $25,000 a year with two dependent children, one aged under five, will get
$21.53 a week extra; the backbencher will get $116.55 a week extra. Where is the fairness in that? A single income couple on $25,000 a year with three dependent children, one aged under five, will be getting $23.94 a week extra while the backbencher will be getting $152.56 a week extra. Where is the fairness in that? There is not any fairness in that.

The other anomaly we need to look at is the difference between a single income couple with one child under five years and a single income couple with two children, one of whom is under five. The couple with one child under five will actually end up getting $2.06 a week more than the couple with two children. A family with three children, one of whom is under five, will get only about 35c more than the couple with one dependent child under five. This is absolutely diabolical. It is unfair. I find it obscene that people on my sort of income are going to get that sort of assistance and that sort of value from the tax cuts so they can pay for their GST but that families with small children and one income are going to be getting very small amounts of money. This government is not being fair, it is not being fair dinkum and it is not taking cognisance of the real needs of people in the community.

A lot of these issues are just beginning to percolate down from peak bodies to the grassroots. As we said in the election campaign, 'The devil is in the detail'—and my word, that is very, very true. Last week there was a meeting in Bathurst of a number of not-for-profit and charitable organisations, and they were expressing grave concern about what the impact of this tax package will be on them. Organisations represented there included Anglicare, the Association of Civilian Widows, Meals on Wheels, an international friendship group, a nursing home auxiliary, retired transport workers, a disability service, the Combined Pensioners and Superannuants Association, a Probus club, a Rotary club, civilian widows, police and citizens youth clubs, View clubs, a gentle exercise class for those who suffer from arthritis, the Royal Blind Society, a cake decorators club, another aged care auxiliary, a cancer patients society, the Country Women's Association, a retirement village auxiliary, the University of the Third Age, the Uniting Church, the Arthritis Foundation, an information centre, a highland society and St Vincent de Paul.

I think everybody would recognise this is a good cross-section of the charitable, not-for-profit and caring organisations in the community. They have come together, of their own initiative, to raise their concerns and discuss how the GST is going to affect them. And they are all appalled. They are concerned about the impact the extra work is going to have on voluntary treasurers. Many of the people in these organisations are elderly and they are concerned about the workloads. They want to know what happens with the membership fees: is there a GST on those? Many of these organisations do not have incomes of $100,000 a year and therefore they will not be required to get a number; therefore they will just cough up the GST and cop it.

These are organisations which are doing good things for their community and which care for their community. They are not doing things for themselves; they are doing things to benefit their community, and they are going to be put to greater cost, greater time and greater impost, and it will have a major impact on the care and the services that they are able to deliver. The GST will have a severe impact on the amount of services they will be able to deliver, and it is not fair. As I said before, I think this is an amoral tax and an imposition upon the people. This government should be roundly criticised and the tax should be defeated.