



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

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AND SERVICES TAX) BILL 1998**

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

In Committee

SPEECH

Thursday, 13 May 1999

BY AUTHORITY OF THE SENATE

SPEECH

Date Thursday, 13 May 1999
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Questioner
Speaker Murray, Sen Andrew

Source Senate
Proof No
Responder
Question No.

Senator MURRAY (WA) (10.05 am)—The minister in his response yesterday quoted evidence given to the committee by a number of reputable individuals and reputable organisations. But the minister knows, as I know, of course, that the quality of evidence varies according to the witness. Regrettably, many of those witnesses who he used, despite some of them being eminent people of considerable reputation, had not conducted empirical studies and were making assertions not based on facts. The quotes I used yesterday were in fact from people and organisations who had studied these matters and studied them closely.

Amongst the quotes that the minister gave appeared these words: that making food GST free would be a 'disaster', that it would 'exponentially' increase compliance costs, and that it would make the administration of the GST by businesses 'a nightmare'. Really, when the very top estimate is for \$100 million extra compliance costs if food is GST free, as compared to \$1.9 billion for imposing the GST, you have to be concerned about the balanced argument. The minister quoted the ASCPA, the Australian Society of Certified Practising Accountants, from their press release issued on 10 February by Angela Ryan, who is the ASCPA tax director. The release said:

Approximately 300,000 business operators will face a massive increase in compliance costs as a result of making food GST free. This is a dead weight on the economy and one that will inevitably be recouped through increased prices.

Well, the \$1.9 billion worth of cost to business from the government's imposition of the GST will also be recouped from an increase in prices as compared to the \$100 million that she estimates making food GST free would cost. She makes no remark about that.

Also within this press release she accepts the ATO's figure of 300,000 business operators who would be affected. Yet, as I have indicated, we have checked the ABS figures and they come to 40,000—7,835 supermarkets and 37,246 retail businesses specialising in food retailing. It is nowhere near 300,000. What is this 'massive increase' in compliance costs when the increase at maximum is five per cent of the overall cost of imposing the GST on business and is possibly as low as two per cent?

Why would it be a 'dead weight on the economy' when you have so many countries worldwide who do this very thing, who differentiate the price of food in their GST regimes? Is she saying that other major countries are experiencing a deadweight effect and are finding out that these problems are so massive that they cannot cope with them? This does not make any sense. Here are some of the countries which, if you follow the logic of Angela Ryan's press release, are so affected: Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland, Sweden, Great Britain, Canada, Iceland, Mexico, Switzerland, Turkey, Poland, the Czech Republic, Hungary, Korea. There are another 90 countries that I can read out, if you want, but you are getting the point, aren't you?

If 700 million people in those countries can cope with food being differentially rated or zero rated, why do people like Angela Ryan and Mark Paterson think that our 18 million Australians are too stupid, too incompetent, too incapable, to do what retailers and businesses do very easily in those other countries? It is just assertion; it is not evidence. I will quote to you again from the UK National Audit Office report on VAT compliance costs in 1994. I do so because they are the equivalent body to our own very esteemed Auditor-General's department. This is what they say:

The incidence of compliance costs in relation to trader turnover is broadly consistent between the United Kingdom (zero-rated), Germany and the Netherlands (which concessionally tax food), Canada (which zero-rates food), and New Zealand (which taxes food).

The issue of compliance costs is not a material issue when we are considering whether food should be made GST free. The issues that concern, and should concern, the government are those issues of equity versus the issues of efficiency—which are the economic issues—and those issues which attend to revenue. And those are the issues which we will deal with at length in the next set of amendments.

This whole compliance costs area indicates to me that business have not done their homework. I fully understand the argument of Mitch Hook—the head of the Food and Grocery Council, and a very reputable person—because it obviously makes sense from their point of view for there to be a common rate across their whole industry. They are arguing to their book, and quite rightly so. That is a sound argument. I happen not to agree with it but I think it is a sound argument. But do not come and say to us, as you did in your response, Minister, that these people—who, as far as I know, have never run a business in a country which has a GST or VAT which zero rates or concessionally taxes food—talk about it being a disaster and a nightmare, when it is not a disaster and a nightmare for all those countries which have chosen to go this route.

Far, far more countries have chosen to zero rate or concessionally tax food than have done otherwise, and they have done so for equity reasons, for social justice reasons, and because they know that it does not affect efficiency and does not affect the economic outcomes. However, this amendment does recognise that there is some increase in compliance costs and it would seek to compensate for that increase in compliance costs which would emerge. That really is the purpose of our moving this amendment.