



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



## **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**

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**A NEW TAX SYSTEM  
(GOODS AND SERVICES TAX  
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**A NEW TAX SYSTEM (GOODS AND  
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**A NEW TAX SYSTEM (AUSTRALIAN  
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**A NEW TAX SYSTEM (AGED CARE  
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**A NEW TAX SYSTEM (WINE  
EQUALISATION TAX  
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**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  
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**A NEW TAX SYSTEM (LUXURY CAR  
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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**

**In Committee**

**SPEECH**

**Thursday, 24 June 1999**

BY AUTHORITY OF THE SENATE

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## SPEECH

**Date** Thursday, 24 June 1999  
**Page** 6265  
**Questioner**  
**Speaker** Murray, Sen Andrew

**Source** Senate  
**Proof** No  
**Responder**  
**Question No.**

**Senator MURRAY** (WA) (10.20 am)—Thank you, Senator Cook. I think your approach is probably right. The Australian people know that we went to the election saying—and indeed put out a 40-page document in September prior to that election which said—that we would approve the tax package if a number of things were changed. Core to that approach was the issue of food. Most of the media in the end saw the entire tax package as being about a GST and, within the GST, the issue being food, but those in this chamber certainly know it is far broader than that. However, food is what we are on, and that is what I will speak to.

Our approach at that time—and we said this very clearly both in Senator Lees's Press Club speech at the time and in our various documents—was that restaurants and takeaways should be taxed but all other foods should be not. To put that into a monetary perspective, the various modellers who looked at it advised us that that would be somewhere around a cost of \$4½ billion to \$5 billion.

If you look at the government's further supplementary explanatory memorandum that has been circulated, on page 1 you can see that they indicate what the financial impact of the food exemption is, and over the years it is between \$3 billion and \$4 billion. That is less than we originally asked for. The reason it is less is that, as a result of the Senate inquiry system—which, if I may compliment you again, Senator Cook, I thought was well chaired and, as you know, I have made those remarks before—it became apparent to us that we needed to weigh up the issue of jobs versus a wider definition of food. The prime issue related to the prospect that, if you had the supermarkets competing with the takeaway chains, the takeaways would lose massive amounts of business, with a consequent loss of jobs and market share and, indeed, the closure of businesses. That weighed on us and, as a result, we decided to go for a narrower definition.

The Canadian experience was particularly apposite, and I seem to recall that the figures in Canada had been very extensive. I quote from page 373 of the main report of the committee, where they outline the problem. It says:

McDonalds Australia argued that the option would have a considerably negative effect on employment in their industry, pointing to the evidence of job losses in the Canadian fast food industry after the GST was introduced and arguing that up to 23,000 jobs could be lost in the fast food service industry. Whether the job losses in Canada were due to the GST or the severe recession caused by inappropriate monetary policy in Canada in the early 1990s is however, unclear.

We felt there was a sufficient risk that this wider definition of ours would create a problem that we needed to be cognisant of—the job side—and, as a consequence, we went for the narrower definition. The next assault we faced was from those who believe that the simplicity and efficiency criteria overcame the equity criteria. On the efficiency side, it was established through modelling that making food partially GST free, or in the main GST free, would result in positive economic effects. So the efficiency side was dealt with.

On the simplicity side, we were subjected to an assault from all sides. That assault assumed that the consequence of differential tax rates on food would be very negative for the business sector. We have continually identified the fact that, if the government costing in the ANTS package of \$1.9 billion for the implementation of the GST was an accurate figure, our food variation proposition would mean between \$40 million and \$100 million extra in compliance costs for the business sector—based on our estimate of \$40 million and on the ASCPA's estimate of \$100 million—in other words, between two and five per cent.

Whilst nobody in this chamber would consider that \$40 million to \$100 million is a small amount of money, nevertheless, we believed that that additional compliance cost was justifiable in terms of the equity consequences of making most food GST free. I say 'most food' because our analysis of the package indicates that about 80 per cent of household foods, particularly those which apply to low and middle income households, will be GST free. In fact, the price of food to those households will fall. It will fall on average by about two per cent.

There is some talk of poverty in this country. I must say that, compared with the worst aspects of poverty in, say, Sudan or in parts of India, Australia has been well served by the governments and the economy that we have

had and that we have at present. Nevertheless, there are people who do it hard in Australia and making as much food as possible GST free was very strongly supported by all those institutions and churches that have a great deal to do with that sector. The kind of attack that has been launched on us by people such as the Liberal Premier, Jeff Kennett—I think he is one of your mates, Senator Conroy—

**Senator Conroy**—One of Senator Kemp's mates.

**Senator MURRAY**—I have heard you speak in warm and loving tones about him! The kind of attack that Premier Kennett has launched on this proposition, I think, is influenced by the prospects of an upcoming election. But it is also influenced by a view that equity is subordinate to simplicity. The Labor Party had always taxed food but on a limited basis. The wholesale sales tax did not go across all foods.

*Senator Conroy interjecting—*

**Senator MURRAY**—I will repeat that because I do not think Senator Conroy heard it. The Labor Party had always taxed food under a wholesale sales tax, but it did not go across all foods. There were large sections of food which were left untaxed. I had hoped that the Labor Party would stick to that view. It was not until we had the debate in this chamber that I discovered that the economic rationalist side of the Labor Party had triumphed and they in fact wanted to tax all food. I am looking forward to Mr Beazley going to the next election and saying to the Australian people, 'My platform is to tax all food.' I would be quite astonished if he did that. I was surprised that you did vote for all food to be taxed. That is on the record. At least the coalition have the virtue of always being honest about it. They did want all food to be taxed. But from your side I was left guessing until the last minute. I really was surprised, I must say, given some very fine members of your party, that you did want food to be taxed. But let me not provoke you, because I am sure you will have an opportunity to provoke me in return, and that will happen.

I have dealt before with the issue of a large proportion of food not being taxed. It is one that has been grappled with by almost every country which is involved in the GST-VAT system. In our responses to the business lobbying group, who naturally have a fear about a new system coming through and a fear that this new process will cause them more grief than it is worth, our consistent response has been, 'Look, there are 105 countries in the world with a GST-VAT system, many of them introduced by socialist and left governments.' There are countries such as the United Kingdom which have had such a system for 25 years. I always thought that if Mr Beazley was very concerned about thermometers and lettuces and tins of soup, he should have rung up his and Geoff Gallop's old mate Mr Blair and said, 'How are you coping with it? You in the Labour Party are going to keep it there and you seem all right with it.' They are keeping it.

I have gone through with you before how it is coped with in Belgium, Germany, Greece, Spain, France, Ireland and Italy, and I can go on through lists of these countries. My response always has been that, whilst the Australian Democrats do accept that our proposition to have 80 per cent of household food made GST free does introduce some additional complexity into business lives, billions of people and tens of millions of businesses worldwide have accepted that and deal with it very capably. I for one am not of the school that thinks that our businesspeople are less capable and less able to deal with this issue than others elsewhere in the world. I think that whole issue has been beaten up, and I would be very disappointed if the Labor Party were again to vote for food to be taxed. I would hope that you would support this proposition, which really does improve the entire package.

**Senator George Campbell**—We oppose the whole tax, not just food.

**Senator MURRAY**—I know you have been consistent in the matter. What you did in the last debate was support every single government amendment.

**Senator Conroy**—Don't stretch the truth.

**Senator MURRAY**—It is true. You supported every single government amendment. This is a government amendment which is not taxing food. I do hope that you will be able to support this amendment. I would not want to see you be inconsistent in your tactics on this one. It is an issue of equity: it does deliver a better outcome for ordinary people; there is an economic effect. It makes the economic prospects for the agricultural industry better and it makes job prospects better. Making food GST free reduces the price effect of the GST from two per cent to one per cent, although the retention of state taxes adds about 0.5 per cent back into this, with the impost of the state taxes obviously falling heaviest on high income earners. There is lots more I can say on food, but I am sure you will have lots of questions. We can carry on this debate as we proceed.