



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
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**A NEW TAX SYSTEM (GOODS
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**A NEW TAX SYSTEM
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**A NEW TAX SYSTEM (LUXURY CAR TAX
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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

SPEECH

Date Thursday, 24 June 1999
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Questioner
Speaker Murray, Sen Andrew

Source Senate
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Question No.

Senator MURRAY (WA) (12.37 pm)—There is quite a lot to respond to there, but I thank Senator Cook for bringing up matters of substance which therefore deserve a considered response. First, I need to deal with the Labor Party's position on food. Nobody but those people who are severely handicapped would not be aware that the Labor Party oppose a GST; I think that message is well established and we understand that. What has not been clear to us, though, has been your position on food. Should you now be moving to a public statement that you do not support a tax on food, if there is to be a GST or a VAT? I would be pleased to know that, and I am still not certain of that from your response.

The problem for all of us is that, long before Senator Harradine made his dramatic speech—and it was dramatic; these moments are milestones in parliamentary experience—we had the food debate and the food vote. Up to that time, my party and your party were believers, or at least suspicious, that the government had the numbers, with Senator Harradine, to pass its tax package. Therefore, at the time you voted on the basis of food you voted on what was regarded by some as a probability and by others as a possibility that the government's tax package would get through intact, and so you voted for food to be taxed. You voted against our amendment that large portions of the food classification should not be taxed.

The difficulty I have faced since Senator Harradine's amendment is that, with all the theatrics—some immensely amusing and others with a serious content—in the House of Representatives on the food matter, I have never known whether the Labor Party approach is a question of concern about definitions and the breadth of the food exemption or whether it is actually a campaign for all food to be taxed. The very clear and well expounded argument that I heard from Senator Sherry earlier, like many of the arguments I have heard in this debate today, was a restatement of the essential argument by those who support all foods being taxed. The government have made their position clear. They would also rather have had all food taxed, but they have agreed with the Democrats to make about 80 per cent of the food that is bought by households GST free.

Is the Labor Party saying that they want all food taxed if there is to be a GST or are they saying that they do not like the definitions and would like them narrowed or are they saying that they do not like the definitions and would like them broadened? By the end of the debate perhaps we will know that because attached to that question of mine is also the understanding that your leader—I think it was in Brisbane—said that it was the intention of the Labor Party to go to the next election and roll back some parts of the GST. I think there have also been statements made that perhaps you should be going to the next election saying that you will take the GST off—which none of your Labour Party colleagues overseas did, but maybe you would want to do that.

If you were to roll it back in regard to the food area, we would like to know where and in what instances. Where in the definitions do you have a problem? In our belief, having gone through this negotiation with the government and the government having then revised our amendment, is that their final version is better than the one we put up; it has been improved—it lessens some of the definitional problems that were there. We all know that there will continue to be definitional problems—there always are in taxation matters and there probably would be even if all food was not taxed; it would still be at the margins of dispute.

The question on the food issue which matters so much to Australians is where you stand—all taxed, none taxed, a different definition or what? I do not know that. Senator Sherry also rightly said that we had changed from the wider definition that we took to the election. At the beginning of my remarks in this debate I explained why that was so, but perhaps he was not in the chamber and so did not hear it.

I stressed that the reason why we had changed was that, having gone through the Senate committee review process, we realised that our wider definition would have had an adverse jobs effect. We therefore narrowed the definition to ensure that the takeaway industry was not detrimentally exposed. I will read from a press release by Tricon Restaurants International, the KFC people, dated 23 June:

KFC today welcomed the decision by the Federal Government and the Australian Democrats to treat all hot food the same.

Chief Executive of KFC and Pizza Hut, Mr Bob Nilsen, said the Democrats and the Federal Government were to be applauded for the decision which would help level the playing field and make the GST fairer.

'Our great concern was the negative impact on jobs and investment and we feel this decision will go a long way to protecting jobs and future investment,' Mr Nilsen said.

Quite rightly, the Labor Party raised the issue of the chook definition because it is a difficult matter and our proposal on the chook definition has been changed by the government, with our agreement, to make sure that the adverse impact on jobs is avoided. There is also a press release from McDonald's Australia, dated 24 June, stating:

McDonald's Australia today congratulated the Government and the Democrats for reaching a compromise on the issue of the GST on food that avoids major job losses.

So that is the reason for ignoring ACOSS's view that they would have liked the wider definition, as we had originally proposed, and for moving back from our position. We simply could not stomach the potential loss of jobs. I know that that is a balancing thing, but we had to balance out the issues of equity and jobs, and we decided on this definition.

We then need to look at some of the very serious and substantial points you made about some of the people who are criticising the package. I draw particular attention to ACOSS as the peak body. We retain a great respect for that body. They do a great deal in advocacy terms for Australia. ACOSS wanted a much better agreement. They wanted base broadening of a very considerable amount. We wanted base broadening of a very considerable amount. Those base broadening measures that we wanted in addition have been referred to the Ralph business tax review and will return to us for decision in the next tranche of business tax reform.

ACOSS wanted a wider definition of food. I have explained the reasons why we have not gone down that route. ACOSS wanted to do away with the indirect taxes that are to be retained. The indirect taxes that are staying have had to stay because of the costs of the adjustments we have made to the package. ACOSS wanted more tax cuts to pay for those indirect taxes to be taken off. The government's position on income tax cuts was our food. For them, income tax cuts at the level they wanted was the same as our food; it was a non-negotiable area. Frankly, when you are in an agreement and when you are discussing matters you have to make a judgment as to what you will accept and what you will not accept. So ACOSS did not get what they wanted, we did not get what we wanted, the government did not get what they wanted but, between us, we came to an agreement with the government and we are satisfied that the agreement both meets our broader objectives and will be to the benefit of Australia as a whole.

Then we come to the very important remarks you made concerning the assessment of the package by those who are professional and who are capable of assessing this package appropriately. There are a number of first-rate modellers, as you know. I think we have a regard for all of them. I certainly would not regard any of them as lacking professionalism, ability or merit. Amongst the leaders are Mr Murphy and Mr Carmody—not the tax Carmody, the Access Economics Carmody—who are probably, in my view, the prime modellers on the economic area. Both those individuals and their organisations believe that the package originally put by the government and the agreement put by the Democrats are in the interests of Australia as a whole. Unfortunately I did not bring the newspaper with me, but my memory of the very large *Australian* review of this entire matter had a quote from Mr Carmody which described the new package as more complex, less efficient, but fairer and better for Australia as a package as a whole. It is the package we are looking at.

To Warren and Harding I am going to give top ranking, I am afraid. I do think they are the top social modellers in this country. They ticked it off. They gave us a very good overall tick on the package. Senator Cook, you will recall that the modelling assessment of Professor Dixon, who I also have respect for, was biased towards the negative on the package originally anyway. Essentially, he has retained that view. I think that there we have a dispute between experts. But my view is that the experts that have pronounced on this have overall ticked it off as a very good package.

I want to give you some results, if I may, from the Access Economics modelling of the new tax package. On the category of aged pensioner, Access Economics found that those on private income would be \$3.30 better off and those on a \$5,000 income would be \$4.44 a week better off with the new package. A pensioner couple with no private income would be \$7.06 a week better off and those on a \$5,000 income would be \$9.41 a week better off. An unemployed single person would be \$2.82 a week or more better off and someone on \$40,000 would be

\$13.62 a week better off. A sole parent with one child under five years has the largest gains of any household: \$7.01 for a sole parent pensioner. Somebody on \$20,000 private income would be \$28.55 a week better off.

Much of this debate has been about how we compare the new package the government and the Democrats have agreed on with the ANTS package. But we should really be comparing the new package the government and the Democrats have agreed on with the existing state of our country, with the way our tax system and our social security system and everything else interact. Our strong belief and the reason we have held to this in a very fierce political debate is that this new package makes Australians fundamentally better off in every sense of that word over the whole economy than they are at present. I really do not expect that after the 1 July in the year 2000 Australians will say, 'Oh gee; we are so sorry we got \$12 billion income tax cuts' or 'Wow, we are very upset we have got billions and billions of dollars of social security benefits and allowances.' I am sure I am going to hear all that, as well as 'Please tax food.'

Harding and Warren said that the worst case for a single pensioner would be that they would be \$2.61 better off; the best case was that they would be \$5.20 a week better off. They said that the worst case for students with no private income would be \$2.57 a week better off; the best case would be \$3.92 a week better off. For unemployed the worst case would be \$2.52 a week; best case \$3.89. I can go on and on through this, but the net benefit of these people's modelling is that people are going to be better off. In none of these lists can I find anyone who is worse off. That is the effect of the Democrats' changes to the government's package. We have fixed, as far as we can, most of the problems that we believe were identified in the committee process. Really, whilst I continue to respect your resistance to the GST, that is our reason for supporting it. (*Time expired*)