



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**

**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**

**A NEW TAX SYSTEM (PERSONAL
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**A NEW TAX SYSTEM (COMPENSATION
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**A NEW TAX SYSTEM (BONUSES FOR
OLDER AUSTRALIANS) BILL 1998**

**A NEW TAX SYSTEM (INCOME TAX
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**A NEW TAX SYSTEM (AGED CARE
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**A NEW TAX SYSTEM (TRADE
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**A NEW TAX SYSTEM
(COMMONWEALTH-STATE FINANCIAL
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**A NEW TAX SYSTEM (COMMONWEALTH-
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**A NEW TAX SYSTEM (WINE
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**A NEW TAX SYSTEM (WINE
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**A NEW TAX SYSTEM (WINE
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**A NEW TAX SYSTEM (WINE
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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
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**

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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Responder
Question No.

Senator MURRAY (WA) (1.53 pm)—I will respond to that question because at the heart of a sometimes lonely struggle to get our view up has been our belief that it is the international precedent which makes our position legitimate. What interested us most in the whole issue of food and food definitions was that in nearly every country the government in the parliament had the power to do exactly what they wanted. In Australia, it is quite different. In Australia, we do have the Senate, in which the government does not have a majority, and the government has had to come to an agreement with another party to get its package through.

In most of these other countries, the position is very interesting. When they introduced their VAT, GST or whatever system it was, the government had the majority, yet they still chose, by and large, to differentially rate food. The reason they did so—it goes all the way back to when they started VATs and GSTs in 1967—was primarily on equity grounds. Once they discovered that the compliance cost area was overstated, it has continued as a trend. There is no-one, including me, who does not accept that if you want to talk purely on economic grounds it is most efficient to have the same tax right across the board. Everybody knows that, but it is on equity and fairness grounds that those countries varied their food definition.

The other interesting point, Senator Ferguson, is the point you might not have realised you were making but which you were alluding to—that is, the second thing they were influenced most by was jobs. The very adjustment we have made in our approach to this was influenced by jobs—employment. If you see our main planks as equity and jobs and your main planks as jobs and simplicity, you can see where the meeting point was possible.

With regard to the treatment of food under GST-VAT systems in the OECD, I was interested to speak to some Greek ethnic people with an interest in this area. They had forgotten that Greece has eight per cent on basic food and 18 per cent for restaurants. That is the standard rate. If I can select another country from which we have lots of people in this country—Ireland—everyone knows now about the Irish option.

Senator George Campbell—One in four.

Senator MURRAY—One in four, says Senator Campbell, who has an interest in these matters. Basic food in Ireland is zero rated, which is what we have chosen here. Other food products and restaurants have a 12½ per cent rate and their standard rate is 21 per cent, so they have a three-step situation. Let us pick another one with large numbers of people in Australia—Great Britain. They, too, zero rate basic food, then there are restaurants and their standard rate is 17½ per cent. There are lots of Dutch people here. Their basic food rate is six per cent and their standard rate is 17½ per cent. These countries I am talking about are like us—they are developed, they have a relatively homogenous population, highly educated people and advanced economies, yet they have chosen a system for differentially rating food.

We know that the government's original preference was for the New Zealand model. And we know why—because it is more efficient, it is simpler, to have one rate across the entire range of goods. But with the exception of New Zealand and one or two other countries, most of these countries have taken a different route, and they have taken a different route deliberately. Earlier, Senator Cook suggested that there was a review of the VAT systems in Europe. Naturally, that is the case. Any country that does not periodically review its tax system is a bit dim. We must also recognise that the rates to which they have pushed VAT in those countries are about as high as they can get, and some of them may need to be wound back. That is apparent there.

With respect to countries which are also very advanced, such as Germany, they have basic food at seven per cent and their restaurant rate and the standard rate is at 15 per cent. I have consistently responded to all small business people who have concerns in this area by saying that if 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 and Korea—all those billions of people and tens of millions of businesses—can cope with it, we can as well. I remind you of the quote I gave earlier which indicated that the British equivalent of our ANAO—the UK National Audit Office—said that the instance of

compliance costs in relation to trader turnover is broadly consistent between the United Kingdom, which is zero rated, Germany and the Netherlands, which concessionally tax food, Canada, which zero rates food, and New Zealand, which taxes food. In other words, the VAT systems do not vary a great deal if you exempt areas like health, education and food.

Progress reported.