

Why we need a taxation green paper

Written by The Conversation USA

Last year Joe Hockey was quite clear: he issued a discussion paper about the Australian tax system, and promised a green paper on options and a white paper on government policy.

The green paper would be released in the second half of 2015. “The government will seek further feedback on those options before putting forward policy proposals for consideration by the Australian people in 2016,” Hockey said.

The green paper’s timetable slipped, and then its future became hazy. Hockey these days is tweeting photos of snow on the drive of the ambassador’s residence in Washington, where he lives. And his successor as treasurer, Scott Morrison, now opines that the tax debate over recent times shows the public has “moved beyond” the green and white paper process.

“We’ve advanced the debate I think a lot more effectively over the last four or five months than a green paper ever would,” Morrison said on Sunday.

No we haven’t, Scott. We’ve heard you talking a great deal about the need for tax changes to promote growth, jobs and investment, warning of the evils of bracket creep, keeping all options “on the table”, refusing to play the rule-in-rule-out game.

Lobby groups have talked endlessly about their own agendas, and commentators have had a field day. All this has been wrapped up as a national debate, or “conversation”, about tax.

Incidentally, the buzz-word “conversation”, when applied to tough issues, should be viewed with some suspicion; it is often designed to make people feel good, as though a “conversation” will avoid the harsh edge of a political argument.

Morrison said the community had been putting forward proposals and he was scathing about the “old-style process of big tome documents” which became “doorstops”.

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The strong impression is that Morrison wants to cut out what would be a rigorous, difficult phase of the original process, and have the government make decisions when it's ready, and then just announce them, maybe in more than one stage – for example some in the budget and some closer to the election. He has pointed to the fact that tax changes have already come out in the December innovation statement.

But Morrison's critique of the green/white paper process is flawed and appears self-serving.

There cannot be a full and realistic debate about a new tax system – ahead of a final decision – until we have more specifics from the government, which a green paper would provide. That paper would be expected to outline several possible scenarios for change, estimating what each would do for growth, jobs and investment, and the winners and losers, with modelling (accepting its limitations) to back up the detail.

Interest groups and experts would then be dealing with solid information on which to give feedback, before the government settled its views.

Treasury has had a very extensive round of consultations, but by their nature these have had to be fairly one-sided – basically the government sucking in information and opinions.

While a green paper would leave much “on the table”, the options would have to remove a good deal too, which would ground the discussion.

The current public debate is around a puff of smoke, rather than firm alternatives with official numbers.

Morrison seems to be trying to move the tax debate from being completely broad to very narrow without having to work through a middle stage that would be very important but harder for him to manage.

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One might be tempted to draw a comparison with Morrison's approach when he was minister in charge of turning back the boats. He talked generally about the objectives of the policy, but controlled the debate by avoiding being drawn on key specifics – “on-water” matters – until he was ready to announce results.

“Right now, the issue is not the GST,” he said on Sunday. “Right now, the issue is, what are you trying to achieve?” This is a totally illogical statement, given the GST is central to whether you try to achieve a lot of change or only a modest amount. But Morrison prefers to keep the GST mostly “on water” for the moment.

If the government scraps the green and white papers it will no doubt say time is running out. This is spurious.

To the extent time is short, it is because it has been wasted. The discussion paper came out at the end of March.

But there is still enough time. Malcolm Turnbull is indicating the election will not be until around September. Treasury has been working on the tax project for a very long time – although government sources do complain it is hard to get the material they want. A treasurer committed to a green paper could have it out by late February.

If the green paper is shelved, it will fundamentally be because of politics rather than lack of time or the quality of the public discussion so far.

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