

Turnbull pulls back from sweeping statement on capital gains tax

Written by The Conversation USA

Malcolm Turnbull has not totally removed changes to capital gains tax from the options on the tax table – despite apparently doing so in Question Time.

Turnbull told parliament that “increasing capital gains tax is no part of our thinking whatsoever”.

But later his office said he was referring to Labor’s proposal to halve the capital gains tax discount from 50% to 25%.

Turnbull made his declaration in reply to a question from Shadow Treasurer Chris Bowen, who asked: “Does the prime minister rule out announcing any changes to capital gains tax?”

Turnbull’s categoric statement, followed by the correction, added further to the confusion surrounding the government’s tax position.

Asked on the ABC about Turnbull’s initial statement Finance Minister Mathias Cormann on Monday night refused to be drawn. “The timing of the tax policy announcements are a matter for the prime minister and the treasurer,” he said.

The government was going through the process of considering options “in an orderly and methodical fashion. Obviously as we form judgements and as we reach landing points in terms of the right way forward, then these announcements are made,” Cormann said.

Turnbull told the House of Representatives that Labor was proposing to increase the capital gains tax so that, on a top marginal rate, it would go to 37%.

“That is dramatically higher than the United States, higher than the UK and much higher than New Zealand, which does not have a capital gains tax. Right across the board, it would be the highest capital gains tax in any comparable country.”

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He instanced an investor who had a small business, property, a farm or shares. “Imagine they achieved, over five years, a reasonable annual return of 5%. They get 5% return capital growth. It is not the best investment in the world but it is solid growth.

“Under Labor’s tax, that would mean that the tax on their real gain after inflation at the long-run average of 2.5% would be 70%.

“In other words they would be imposing a 70% tax on an investor’s after-tax return. Nothing could be more calculated to put the brakes on investments, jobs and growth.”

Bowen said Turnbull based his attack on Labor’s change to the capital gains tax discount on the premise that Australia would be increasing the amount of capital gains tax paid by foreigners.

This was wrong, Bowen said – “the capital gains tax discount doesn’t apply to non-residents in the first place”.

Industry Minister Christopher Pyne told Sky that he was not sure the public were looking for big bang tax reform. “I think what the public are looking for is calm, considered government where we respond to events and get on with the job, do the things that government should be doing, trying to minimise the tax burden rather than increase it like Labor wants to do.”

Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.

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