

Failure to curb tax concessions will put increasing burden on ordinary workers: Bowen

Written by Michelle Grattan, Professorial Fellow, University of Canberra

Shadow treasurer Chris Bowen will target tax loopholes and concessions in a speech on Monday, arguing that the economic case for budget repair has never been stronger.

Countering government criticism of Labor's proposed crackdown on concessions Bowen will say an important part of sensible fiscal strategy is to identify tax concessions that "eat away at the revenue base" and reform or abolish them, so as "to underpin both budget repair and the funding of new initiatives".

The opposition has announced moves that would hit negative gearing, capital gains discounts and trusts.

Bowen says in his speech to the Per Capita think tank - released ahead of delivery - that failure to reform negative gearing and family trusts will put increasing tax pressure on low and middle income earners.

He says analysis by the Parliamentary Budget Office shows that for the middle income quintile, with people earning \$46,000, average tax rates are set to rise more strongly than for any other group.

"Every dollar not recouped through winding back these loopholes and concessions is another dollar that Australian workers will have to shoulder".

Bowen says that instead of closing loopholes and strengthening the tax base, the government would prefer to increase income taxes by \$44 billion, hitting all workers earning more than \$21,000.

"At a time when wages are growing at record low rates this is a tax hit that will see someone earning \$70,000 with \$350 less in their pocket from next year.

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"Meanwhile the tax base remains full of holes and tax concessions and other loopholes go unreformed," he says.

"Using an infamous metaphor of the Treasurer's, the government has barely even taken a scalpel to tax concessions which largely accrue to wealthier Australians".

Half of all the benefits of negative gearing accrue to the top 10% of income earners, as do 80% of the benefits of capital gains, and trusts are used as income splitting tools by high income earners, Bowen says.

Labor's planned negative gearing reform would be good for the budget as well as for first home buyers, he says. By the end of decade Labor's negative gearing and capital gains tax reforms would together be adding \$8 billion annually to the budget.

Bowen attacks Treasurer Scott Morrison over the "ridiculous argument" that the company tax cuts are funded because they are in the budget.

"Simply ensuring that the budget bottom line reflects the cost of the tax cuts does not mean they are funded. The fact is that the budget would be \$65 billion better off over the decade if the [company] tax cuts weren't proceeded with."

Bowen says Morrison undermines his own argument that Labor did not fund the NDIS. "Of course NDIS and the Gonski schools funded model were both reflected in Labor's budgets. Putting aside the fact that Labor in government made other cuts and revenue decisions to fund both initiatives, even if we hadn't, by the Treasurer's logic, they were funded because the budget bottom line reflected them.

"The Treasurer has killed his own scare campaign on NDIS funding".

This \$65 billion tax cut "puts the medium term budget at risk", Bowen says. At the end of the

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plan's proposed 10 years, the tax cut would be costing an annual \$15 billion. "It is a fiscal ram-raid".

So far the government has only been able to legislate the cut for firms with annual turnovers up to \$50 million. The Senate has not agreed to the reduction for big companies. Labor has said it accepts the cut for firms with turnovers up to \$2 million but has not announced yet what it would do about the legislated cut for firms with turnovers between \$2 million and \$50 million.

"Labor believes in strong fiscal policy and return to surplus and we are prepared to make the tough decisions to do it", Bowen says.

"I believe in the return to surplus when conditions allow because locking in the AAA rating reduces borrowing costs and gives more room to fund important social initiatives.

"The progressive case for return to surplus also recognises that this would give me and future treasurers more room to move if we face another global downturn.

"The economic case for budget repair has simply never been stronger".

Bowen says Labor's policy work has been thorough and he promises "more detailed policy announcements" to come.

"We'll continue to outline our plans from opposition, seeking a mandate and the moral authority in government to do big and important things".

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

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