

Government defers company tax cut vote for want of numbers

Written by Michelle Grattan, Professorial Fellow, University of Canberra

The government has been forced to put off a vote on its tax cut for big business after failing to secure support from the final two crossbenchers it needs to pass the legislation.

The deferral until the budget session in May is a bitter disappointment for the government, which had been hopeful of landing the legislation this week.

It needs nine of the 11 non-Green crossbenchers to pass legislation. It had seven on side but still needed Victorian senator Derryn Hinch and South Australian independent senator Tim Storer.

Hinch has most recently been talking to the government about trade-offs in the areas of help for pensioners, affordable housing, assistance for the older unemployed, and more action to combat paedophilia.

One source said Storer's inexperience – he [only arrived](#) in the Senate last week – was a complication in finalising negotiations.

Storer said lower company tax should be part of broader tax reform. “This bill is a narrowly cast proposition of change to the overall tax and transfer system”, he said.

“I have held numerous meetings and received input from stakeholders including members of the public, South Australian businesses and business-groups, leading economists, national welfare groups, national business councils and their members” and “I am processing my consideration of this bill.”

The legislation is for the second tranche of the tax cuts, which is directed for big business. It would cost the budget A\$35.6 billion, apply to companies with turnovers of more than \$50 million annually, and bring the rate for them down from 30% to 25% by 2026-27.

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Finance Minister Mathias Cormann told the Senate late on Tuesday that the legislation would not be debated further this week.

“It is a matter of public record that, as a result of the work that has gone so far, we have been able to secure the publicly stated support of 37 senators in this chamber for our business tax cuts legislation,” he said.

“Everybody knows we need 39. So, given that proposition and given that’s the situation we are in, the government has made a decision we will need to do some more work.”

He said the government thought it could get the numbers and so was “committed to keep working, to keep engaging”.

Cormann said the government intended to bring the legislation back to the Senate in the next sitting week – which is budget week.

Speaking to a function organised by the Business Council of Australia (BCA) at Parliament House, Malcolm Turnbull said the government was still two votes short and encouraged the businesspeople to keep talking to the crossbench.

He said the government wasn’t fighting for higher dividends or higher remuneration for executives but to give companies every incentive to invest and grow, creating more jobs and higher-paid jobs.

Earlier on Tuesday, Opposition Leader Bill Shorten pledged a Labor government would repeal the legislation if it passed. He said the opposition would decide its position on the tax cuts already passed for businesses with annual turnovers up to \$50 million “in the context of the information we receive in the budget”.

The case for the tax cuts received a setback on Tuesday with the reporting of a secret BCA

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survey finding that fewer than one in five of leading chief executives had said they would use the proposed cut to directly increase wages or employ more staff. The [Australian Financial Review reported](#) that “more than 80% said they would either use the proceeds to boost returns to shareholders or invest in the company”.

The BCA played down the survey, saying it had never been finished.

Last week, the BCA [released a letter](#) signed by ten business leaders, saying: “If the Senate passes this important legislation we, as some of the nation’s largest employers, commit to invest more in Australia which will lead to employing more Australians and therefore stronger wage growth as the tax cut takes effect”.

The Australia Institute, lobbying against the legislation, wrote to senators with a brief about reaction to the Trump cuts.

“Critically, the evidence shows it is not workers and employees who are benefiting most from the tax cuts. In fact, the tax cuts will exacerbate inequality with benefits flowing overwhelmingly to wealthier Americans via, for example, share buy-backs,” the institute’s executive director, Ben Oquist, wrote.

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 their academic appointment.

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