

Grattan on Friday: Government celebrates on tax, fights on energy

Written by Michelle Grattan, Professorial Fellow, University of Canberra

The odds were always in the government's favour in the battle to get its A\$144 billion income tax package through parliament.

However much some Senate minnows might have objected to the package's third stage – taking effect way out in 2024 and favouring the wealthy – they didn't want to be blamed for denying middle and lower income earners early tax cuts.

Pauline Hanson - of course - attracted the limelight but at no point voted against stage three. But the two Centre Alliance (former Nick Xenophon Team) senators epitomised the dilemma - they voted (successfully) to amend the bill to exclude the last stage, but when the government said it was the whole package or nothing, they folded.

In response, they copped a serve from Tim Storer, the South Australian independent who was on the NXT election-ticket in 2016. Storer was the only crossbencher to hold out.

Clearly the government has had a big victory and Labor has taken a risk in saying that if elected, it will (Senate permitting!) repeal the legislation's second and third stages, while keeping, and building on, the initial tax cuts.

What's less clear is the size of the risk for Labor.

If the whole package had been defeated, the ALP would have been exposed as tax-cut spoilers. As it is, middle and lower income voters will know that whoever wins the election, they have a guaranteed tax cut, indeed a rather bigger one under Labor.

From Labor's point of view, committing to repeal the second stage, which moves the threshold at which the 37% rate cuts in from \$90,000 to \$120,000, is more of a gamble than saying it will kill the third stage, which flattens the scale, with benefits directed to high earners.

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But stage two doesn't start until mid 2022, so a Labor government would not be taking away a bird in the hand but one that was still on the wing. Some voters might apply a discount to a cut so far in the future, even though it has been legislated.

How voters react to Labor's position will also depend on whether the government can convincingly sell its arguments that the ALP is dissing "aspiration", engaging in "class warfare" and, via a range of policies, is the "high tax" party.

Also, the debate over tax cuts can't be seen in isolation. The opposition has money to use and policies still to unveil. Polls show people have other priorities – fiscal consolidation, spending in certain areas. Voters at the election will look at the full menus before them, as well as the leaders and the government's record.

Nevertheless, the results in the July 28 byelections will be interpreted as a referendum on the competing tax plans, though other factors will feed into those contests as well. Super Saturday will reset the political landscape in one way or another.

It would have been a huge setback if the government hadn't secured its income tax package, which was the budget's centrepiece. Politically, there's less at stake in its intention to put to a Senate vote next week its tax cuts for big business. On current numbers this legislation is headed for defeat.

More crucial than the fate of the company tax cuts is the government's long struggle to nail down its national energy guarantee (NEG), with the crunch coming when Energy Minister Josh Frydenberg meets his Council of Australian Government counterparts on August 10.

The tax win has further enhanced the reputation of Senate leader and chief negotiator Mathias Cormann. The outcome of the NEG negotiation will be important for Frydenberg's reputation.

On tax, the battle was only with the parliament. On energy, Frydenberg has to wrangle state and territory ministers (the ACT is particularly challenging), and also fend off an insurgency from Tony Abbott and other sceptics, who ran interference at this week's Coalition parties meeting.

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As well, unease seems to be growing among some Nationals, including frontbencher Keith Pitt.

After an earlier general discussion in the party room, the Abbott band had wanted the NEG plan returned there before the August meeting. This isn't happening – the next broad party room consideration is due when the legislation comes forward. But that doesn't prevent ad hoc sorties of Tuesday's kind.

Abbott also launched public attacks covering not just the energy issue itself but the way Malcolm Turnbull runs the party room.

"I think the government is more interested in reducing emissions than it is in cutting prices," he told 2GB on Wednesday. And it was "a big mistake for the Coalition to sub-contract out its energy policy to the Labor state governments".

He [left open](#) the option of crossing the floor when legislation comes. It will formalise the emissions reduction target. The critics will cavil at any provision that would facilitate a Labor government moving to a more stringent target. Yet this flexibility might be needed to secure a deal for the package.

Abbott said he hoped things wouldn't get to the floor-crossing stage but "the executive government needs to understand that you can't take the party room for granted".

He complained at Turnbull's "practice of discussing legislation at enormous length every party room meeting before we actually get to backbenchers' questions and comments", declaring this "completely unprecedented".

While by necessity, "the government spends an enormous amount of time negotiating with the crossbench", it needed to "spend a bit more time talking to the backbench," he said.

There are obvious retorts to Abbott's criticisms. For example, on the "sub-contracting" to the

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states, it is the states that have the main responsibilities in this area.

As to party processes, while he contrasted Turnbull's style with his own and that of Howard and others, some colleagues were quick to recall his notorious "captain's calls", especially the paid parental leave scheme.

By late Thursday, the pro-NEG forces were [mobilised](#), with an assortment of backbench Liberals (Julia Banks, Trent Zimmerman, Trevor Evans, Tim Wilson) and Nationals (Mark Coulton, Andrew Broad) publicly rallying to its defence.

As the Coalition celebrates on tax, the internal heat over the NEG has suddenly been turned up to high, with the disunity going on full display.

Frydenberg's timetable means he doesn't have to deliver on the NEG until after the byelections. But when it comes to the main election game, a credible (though inevitably disputed) energy policy is as crucial for the government as having its income tax plan in place.

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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