

Bowen says Labor would have lower tax take than under Howard years

Written by Michelle Grattan, Professorial Fellow, University of Canberra

Shadow treasurer Chris Bowen on Wednesday will seek to counter the Coalition's attack on Labor as high-taxing by saying a Shorten government would have a lower tax take as a proportion of the economy than under the Howard years.

Delivering his post-budget address at the National Press Club, Bowen will point to an analysis released by KPMG last week estimating that by the end of the forward estimates Labor's tax-to-GDP ratio would be just over 24%.

"If the Liberal party want to attack us for that, they'd be attacking one of their own.

"Tax-to-GDP was at or above 24% of GDP five times during the Howard years. That is, for roughly half their time in office. And it was 24.3% in two of those years.

"Far from being high-taxing, based on KPMG's analysis we'd have a lower tax take as a proportion of the economy than under the Howard years," Bowen says in his speech, released ahead of delivery.

"Under a Labor government, Australia would have a lower tax take than Japan, New Zealand, Canada, United Kingdom, Germany, Netherlands and most other OECD economies. In fact, we would remain in the bottom third of all comparable OECD economies".

Bowen condemns the proposed second and third stage of the budget's tax cuts as "fiscal recklessness on an unprecedented scale".

They are regressive "and the claim they can be afforded is based on dodgy accounting," he says.

"If the government is planning on paying for these tax cuts with spending cuts they should

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outline those spending cuts before an election – not afterwards like they normally do,” he says.

Labor has adopted the first stage of the tax cuts, and improved on it for low income earners, but rejected the other stages. The tax package had not yet been legislated.

The budget provides that from 2022-23 the top threshold of the 19% tax bracket will be increased from \$41,000 to \$45,000 and the low income tax offset from \$645 to \$700. From 2024-25 the 32.5% rate would be reduced to 30%.

Bowen says it will be 18 months before the assumptions underpinning the projected 2019-20 surplus can be fully assessed, and he questions the budget’s projections in the out years.

“The budget surplus in 2022-23 is projected to be a thin \$9 billion, just 0.4% GDP.

"A surplus that wouldn't be there were it not for the government apparently spending \$12 billion less than it anticipated just six months ago at MYEFO [the budget update].

"What Government decisions have led to this significant reduction in government spending?"

Bowen says information from Senate Estimates indicated there had been no such decisions.

“The Department of Finance told the Senate that there was a ‘methodology change’.

"A methodology change that boosted the bottom line in that year by \$7.8 billion. We have a surplus by methodology,” Bowen says.

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“More miraculously, under the government’s assumptions, payments to GDP free fall from close to 25% GDP this year – the average level under the Coalition government – to around 23.6% of GDP by the end of the decade, well below historical averages.

“The size of government magically shrinks over time. If they are going to cut government services they should outline what they are”.

The Grattan Institute had called out this claimed reduction in spending in its analysis, Bowen says.

He says bigger surpluses are needed and a Labor government would deliver them.

“Based on the budget figures presented by the government last week, at the election we’ll present a fiscal plan with bigger budget surpluses and one that pays down more debt”.

Highlighting that Labor would take a very experienced team into office Bowen says: “If Labor forms a government, sixteen out of 21 of us in the cabinet would have served at the cabinet level before. I can’t begin to tell you what a difference this would make, making us a better government for it.

“Bill Shorten will be the first Labor prime minister elected from opposition since Andrew Fisher who has previous ministerial experience.”

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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