



## IN CONVERSATION: JULIAN DISNEY

*Julian Disney has advocated for tax reform and social justice since he was president of the Australian Council of Social Service (ACOSS) in the 1980s. He now convenes TaxWatch, a community network that promotes tax reform, and is National Chair of the Community Tax Forum which comprises the leading national groups from the consumer, environmental, union and welfare sectors.*

### 1. What does and should the Australian tax system do?

Many people in the community sector focus on the tax system as the means for raising enough government revenue to support programs across a whole range of areas – welfare, income support, care, to find work, provide public housing, public transport etc – whether run by government or non-profit organisations.

But the system has at least as much impact on social justice by providing incentives or penalties that influence economic or social and environmental behaviour. For example, if properly designed it can encourage investors to put their money into long-term, productive activities rather than short-term speculation, and encourage philanthropists to make gifts to charities. On the other side of the coin it can discourage behaviour which aggravates problems such as emitting greenhouse gases or smoking cigarettes. At present, for example, the Australian system encourages rather than discourages speculative investment in housing, excessive household debt and over-use of motor vehicles.

Over the past 25 years or so a general anti-tax ideology has dominated both sides of politics. This has meant that if governments have wanted to provide assistance for some group, they have usually tried to provide it as a tax concession or tax break rather than

raising enough tax revenue to provide the assistance as a direct payment (for example, through social security). This means they have reduced tax rather than increased spending.


Use of the tax system in this way can increase the risk of assistance being provided in a way which is more wasteful, inequitable and counter-productive than if it is provided openly and transparently through direct payments. This applies, for example, to the current tax breaks for housing assistance, superannuation and child care.

### 2. Why does tax reform matter to social policy?

The tax system actually creates or exacerbates disadvantage through misdirected tax concessions and exemptions which, in turn, reduce the amount of revenue we have got to meet the problems they have caused. If you look across almost every area of concern to the community sector, you will find there's a major contributing factor to disadvantage and inequity coming from the tax system because of the distortions that it causes.

We see it in relation to:

- **Housing** – where tax exemptions and concessions cost government revenue at least \$20 billion each year while fuelling housing prices and aggravating unaffordability for low-income households. The price inflation also means governments have to pay higher costs to support public or non-profit housing and more in rent assistance.
- **Transport** – where for many lower-income people, the time and expense of travelling to work (particularly people having to live further and further from city centres to access affordable housing) have been aggravated by excessive tax incentives for cars and parking while none are provided for travel by public transport.

- 
- **Child care** – where the child care tax rebate is excessively generous for higher-income earners, and the fringe benefits tax concession applies only to child care centres on work premises which biases it towards people who work for large employers.
  - **Older people** – where money that could be spent on an adequate level of age pension and affordable health care is wasted on excessively generous superannuation tax breaks for very wealthy people.

## 2. What does the Community Tax Forum want on the table at the Federal Government's National Tax Forum on October 4-5 – and beyond?

We will be pushing for the National Tax Forum to focus on priorities for implementation of the Australia's Future Tax System report (the Henry Review). We don't agree with all of the report but it was a major step forward for the community sector because it said, across a wide range of areas, pretty much what the Australian Council of Social Service (ACOSS) had been advocating for more than 20 years and which we often knew Treasury agreed with behind the scenes but didn't say openly.

We don't want the Government to start backsliding from key Henry proposals of great importance to lower-income people or allowing business to shift the agenda. There's more than enough of great importance in the Henry Review to focus on implementing in the months and years ahead rather than moving even further in other directions which have weakened long-term economic development and social justice in the last two decades or so.

## 3. What are the top three tax reform issues for the Community Tax Forum to progress?

- **Superannuation** – we should get rid of excessive generosity for high-income people in order to reduce waste and unfairness. Contrary to public myth, superannuation tax concessions do not save the government more than they cost. They provide more government assistance for many wealthy people than if the age pension had remained available to everyone regardless of income.
- **Trusts** – we should wind back major tax loopholes that favour those who can take advantage of the trusts and deprive the rest of the community of a very large amount of revenue.

- **Housing** – this is probably the highest priority of all for the Community Tax Forum. Housing tax breaks cost many times more each year than the total government expenditure on public and non-profit housing and on rent assistance. We need to remove the land tax exemption from very high-value owner-occupied houses and wind back negative gearing on rental properties. These changes would reduce house price inflation, save a lot of government revenue and restrain household debt (see articles on housing tax reform p20 and negative gearing p22).


### > ON TAX MINIMISATION

“During the last 10-15 years, there's been a major erosion of the integrity of the tax system and the face that it presents to the ordinary taxpayer. Middle Australia is now involved in tax minimisation on a scale never seen before, through a host of concessions or exemptions, such as negative gearing, fringe benefits taxes on motor vehicles, salary sacrificing and superannuation receipts over the age of 60.

Income tax scales bear very little relationship to what many wealthy Australians actually pay. A lot of theoretical analysis of income tax rates is of very little merit because it assumes that people on, say, \$150,000 a year are going to be paying tax on \$150,000 a year. In fact, many will have arranged their affairs to be paying on a much lower figure. (see Personal Income Tax pp8-9).

People who previously believed in paying their taxes, even if they didn't like it, are now feeling that if they don't get in on those sorts, they're really falling behind. We're seeing a serious corruption of the tax system in this way.

I am not sure whether Australians have necessarily become greedier in the last 20 years or so. But more temptation to avoid tax has been put in their way and very many people have given in to it. The temptation is now becoming close to coercion. If you're going to be substantially worse off than other people by not engaging in tax avoidance (now euphemistically called being 'tax-effective') there is clearly a very heavy pressure to get involved.”



#### 4. It seems that the importance of raising revenue is not well understood in Australia – why is tax a dirty word?

In fact, I think the public is nothing like as anti-tax as many would have us believe. Surveys have shown a clear shift away from people who want tax cuts rather than improvements in public services. But for the last couple of decades, the main product differentiation between the two political parties has been by competing to provide the largest tax cuts because it's simple and it works simply on the front page of the *Herald Sun* or *Daily Telegraph*. The fact that some other option for tax reform might have left you so much better off, even if you couldn't put a precise dollar amount on it, gets lost. We have been dominated by the anti-tax agenda of the United States. For years it's been held up as a highly successful economy with very low tax rates – but the price they've paid for not raising enough revenue has been to build up a massive public debt which, as we're seeing now, has left it in dire straits. Its recent credit downgrading was mainly because Congress refused to reduce excessive tax breaks for the wealthiest Americans.

We are riding the crest of a wave right now with our massive mineral resources and resource-hungry major neighbours but we need to look to the future by leveraging our mineral resources to help meet the costs of an ageing population. This is why it is disappointing that the mining tax has been so weakened that it will raise much less revenue than was appropriate.

#### 5. What can we do to secure state tax reform?

The role of the states in tax reform should be one of the main issues at the National Tax Forum, because, for example, key changes in the area of housing involve land tax and stamp duty which are state levies. Some of the necessary changes are politically difficult and, at least in the short-term, could reduce state tax revenue. States are unlikely to be persuaded by sweet reason alone. One approach could be for the Commonwealth Grants Commission to take the view that states which do not impose land tax on owner-occupied property are not fully utilising their tax base and therefore their direct grants from the Federal Government should be reduced.

#### 6. Given all the politics, what's the best way to press for reform?

The main way to achieve major tax reform is by having a package with a very attractive trade-off. If you are doing something that the general population or the business sector won't like, you need to find something to go with it that they will like. The package needs to be broad-ranging and to include improved expenditure as well as tax reform.

#### 7. Who is the Government listening to and how do we measure the success or otherwise of the National Tax Forum?

The National Tax Forum should be measured by the extent to which it makes progress on the priority areas which I have mentioned. This does not necessarily mean major announcements at its conclusion. A government that has the carbon and mining taxes on its plate is not going to be able to take on many other big tax reforms in the short term. But the focus and impetus of the Henry Review must not be lost and the reforms of special importance for lower-income people must be entrenched as high priorities for implementation over the next few years.

The Community Tax Forum has been consulted by the Government about what we believe should be the priorities and processes for the October forum. I think the Government is listening but, of course, listening (and even agreeing in principle) is very different to acting.

ACOSS has long recognised the importance of tax policy but overall the community sector really needs to get more serious about it. Many welfare agencies now have their own research sections but they are usually very small and tend to focus on analysing their own service delivery. It is at least as important to devote resources to the deeper longer-term causes of problems. The effect of their frontline support is gravely weakened if badly designed economic and tax policies both increase the 'caseload' and reduce the resources available to help. The Brotherhood of St Laurence has taken this view for many years and, together with UnitingCare and the Benevolent Society, is now supporting TaxWatch to help build awareness in the sector about tax issues.

---

*Julian Disney is Professor and Director of the Social Justice Project at the University of New South Wales. He is Chair of the National Affordable Housing Summit group, National Co-Chair of Anti-Poverty Week, National Chair of the Community Tax Forum, and National Convenor of TaxWatch.*

*He is also a former President of the NSW Council of Social Service (NCOSS) and the Australian Council of Social Service (ACOSS), and a past World President of the International Council on Social Welfare (ICSW).*

*TaxWatch <http://taxwatch.org.au/home.asp> is based at the Social Justice Project, Law Faculty, University of New South Wales, and the Department of Business Law and Taxation, Monash University.*

