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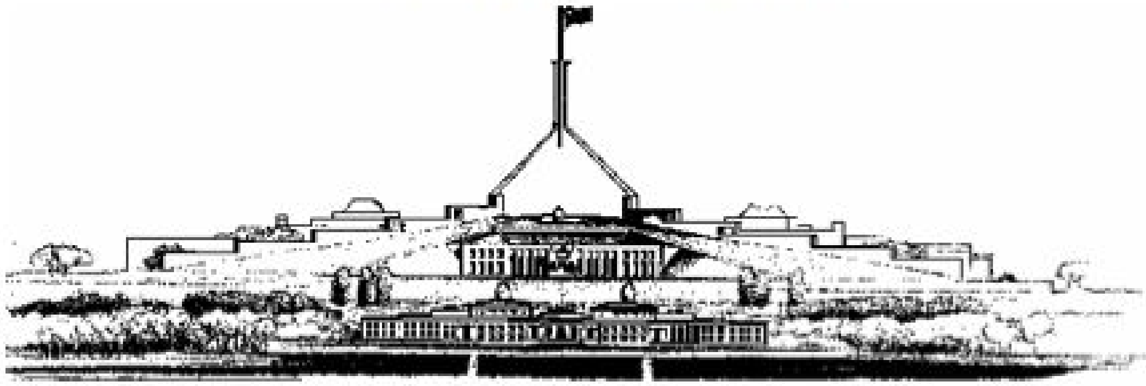

HOUSE OF REPRESENTATIVES

PROOF

BILLS

Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016

Second Reading

SPEECH

Thursday, 9 February 2017

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Thursday, 9 February 2017	**Source**	House
Page	40	**Proof**	Yes
Questioner		**Responder**	
Speaker	O'Brien, Ted, MP	**Question No.**	

Mr TED O'BRIEN (Fairfax) (13:05): Recognising the link between corporate tax rates, investments and jobs is not rocket science. Lower tax rates mean more revenue is retained by businesses, which means more for investment in those businesses and therefore more jobs. More vigorous, more profitable businesses with more jobs means a growing national economy, which means more prosperity to be shared by all. It is a simple, well-tested equation in capitalist systems. The Labor Party used to understand that but, listening to the shadow Treasurer's speech just now, I genuinely believe they might be living in la-la land.

The member for Hughes wisely interjected and asked if the shadow Treasurer would be prepared for him to read out some quotes from his book, and he denied that, so let me do so. In 2013, the shadow Treasurer, from whom we just heard, against company tax rates, said:

It's a Labor thing to have the ambition of reducing company tax, because it promotes investment, creates jobs and drives growth.

On ABC *Lateline* in 2014, the year after he wrote those words in his book, he said:

I'd like to see it lower over time. I think we've had 14 years of having the corporate tax rate stable. That's too long. Over time, I'd like to see is lowered.

On the *7.30* in 2013, he said:

I think we should have the ambition of lowering company tax. … it would be the approach that we would take that our ambition would be lower company tax rates … because it does improve our overall international competitiveness.

In 2015, the shadow Treasurer said:

I would like to see the corporate tax rate come down over time. I'd previously said that our nation should be aiming for—

wait for it—

a 25 per cent corporate tax rate.

This is the shadow Treasurer from whom we have just heard the complete opposite. His get out of jail card today is:

Only in a perfect world.

Only in a perfect world would the shadow Treasurer accept a cut in corporate tax rates. What does that actually mean? Does that mean his book can only be read when the wicked witch of Narnia is dead and Aslan the lion takes over? Or is that the la la land once the Greens and Labor get back into power one day, and suddenly it is a perfect world and his book is relevant? Either he defies his own logic or, indeed, he is in la la land. It does not stop with the shadow Treasurer.

Indeed, on 2 May 2010 the then Labor Prime Minister Kevin Rudd announced a reduction in the corporate tax rate from 30 per cent to 28 per cent for small businesses from 2012-13 and to all businesses from 2013-14. In June 2010, he told the Business Council of Australia:

The government's target is to bring it to 25.

The May announcement was part of the government's response to the Henry tax review, which had recommended a cut in the corporate rate to 25 per cent—the same level that is being put to the parliament in this bill.

On 2 July 2010, the Gillard government reduced the cut proposed by former PM Rudd to 29 per cent, citing the state of the economy, but Labor never actually introduced the legislation to implement it. Why? It was because the Greens would not support it. The then de facto government of the country, the Greens, with their nigh on Marxist views of the world, denied the attempt by Labor to cut the corporate tax rate. The posture of bowing to the Greens has been fastidiously maintained under the leadership of the Labor Party by the backflipping Leader of the Opposition.

In his 2015-16 budget reply speech, in contradiction of the views held by his two immediate predecessors, the opposition leader supported a cut in the corporate tax rate for small businesses, and small businesses only, to 25 per cent. Tax cuts for larger businesses disappeared altogether from Labor tax policy, even though Julia Gillard in 2012 told the parliament:

If you are against cutting company tax, you are against economic growth.

This is the former Labor Prime Minister.

If you are against economic growth, you are against jobs.

And Labor, especially the opposition leader, now not only formally supports the Greens policy on corporate tax reform; he supports the Greens anticapitalist rhetoric to boot.

The attacks on big business by the opposition leader would not be out of place coming from Marx or Engels. His language of attacking big business oozes with contempt but, unsurprisingly, given the record of the Leader of the Opposition, this has involved yet again a double backflip. In 2011, addressing former Prime Minister Rudd's policy for a cut from 30 to 28 per cent, the now opposition leader said in this chamber:

More capital means higher economic activity and higher wages.

In 2011, he also said this:

As Australia is buffeted by the economic affairs overseas, we understand that lowering corporate tax assists the creation of jobs. And what can be more important in this country than the creation of jobs.

And in a speech to the national conference of the Australian Council of Social Services, the opposition leader said:

Friends, corporate tax reform helps Australia's private sector grow, and it creates jobs right up and down the income ladder.

But the Greens said no, and the Leader of the Opposition promptly fell into line via another 180-degree U-turn, involving a whole new take on economics altogether and a whole new take on tax policy. He stays in line with the Greens to this very day.

Now, he argues: 'Tax cuts? That's just trickle-down economics. The benefits all go overseas. Tax cuts don't boost employment, just inequality.' In other words, he is now saying the polar opposite of what he was saying in 2011. The Leader of the Opposition, clearly, will say whatever he can and do whatever he can, no matter how deeply it might contradict his previous positions, to keep faith with a powerful Left—a Left in the Labor Party and outside of it—so that he can keep his own job.

But please do not think it is just big business that the opposition leader does not like; he has a demonstrable track record of falling in line with the Greens when it comes to tax rates for small business too. For example, when the Greens in 2012 signalled under their then new leader Christine Milne that they would not support Labor's proposed corporate tax cut, she even put a cut-off point on the Greens support for tax relief for small businesses. Do you know what that cut-off was, Acting Deputy Speaker Hogan? The Greens cut-off was a maximum turnover of $2 million. To give her some minor credit, there is no doubt that businesses with a turnover under $2 million are vitally important to our economy, but it now reflects the smallest end of small business. In fact, they are often now referred to as microbusinesses. The meat in the small business sector are those with turnovers of between $2 million and $10 million. These small businesses, as the Treasurer pointed out in his second reading speech, employ 3.4 million Australians; 3.4 million Australians are employed by small businesses with a turnover of between $2 million and $10 million. That is a huge contribution. But, of course, the Leader of the Opposition again dutifully fell into line with Greens policy, because Labor, too, now agrees that any business with a turnover above $2 million cannot have a tax cut.

If there is to be a significant tax benefit to small businesses in this country, with the flow-on benefits that the opposition leader himself outlined in 2011, then it will be via the coalition's plan, which is for a cut to 27½ per cent from the current 28½ per cent that was legislated by the Abbott government—down from 30 per cent—and reaching 25 per cent by 2026-27, without that artificial barrier of $2 million turnover favoured by the Greens and their fellow travellers, the Labor Party.

Businesses with turnovers over $10 million will reach the same target of 25 per cent via increases to the threshold for the 27½ per cent rate—to $25 million in 2017-18, $50 million in 2018-19 and $100 million in 2019-20—until all companies are covered by 2023-24. The rate itself will then be progressively cut from 27½ per cent until it reaches that 25 per cent point for all businesses in 2026-27.

These are urgently needed tax reforms. As the Treasurer himself highlighted, we have gone from, in 2001, having one of the lowest corporate tax rates in the world to now having among the highest. The average rate across the EU is 22½ per cent. Across the OECD, it is 25 per cent.

In our region, our current rate of 30 per cent is way off pace. South Korea has a 24 per cent rate, the same as Laos and Malaysia. In Thailand and Vietnam, it is 20 per cent. In Singapore and Taiwan, it is 17 per cent, and Hong Kong has 16½ per cent.

This chasm between our rates and the rates of our competitors and trading partners is a double-edged sword for our economy and for the Australians who want jobs. Not only are global companies less likely to invest here or expand here because of high tax rates when they could be enjoying higher retention of their earnings elsewhere, but some of our own companies may indeed move offshore to take advantage of more competitive rates.

In light of these realities, those who criticise the plan should also contemplate the timeframes that are involved and the fact that these changes are phased in over a considerable period. The changes mean that a tax rate of 27½ per cent will reach the biggest of our businesses in 2023-24. It will be 2026-27—that is almost a decade from now—before the rate hits 25 per cent, and they still oppose it. That is a fair way down the track, when the New Zealand rate has been at 28 per cent since 2011, and with Asia ranging right now from 24 per cent to around 17 per cent. These are numbers that give context to what this bill seeks to do.

This is not a massive giveaway, as the Labor Party suggests. Having abandoned all reason in relation to its previous positions on corporate tax reform, it now protests. This is a measured, responsible, modest effort to ensure that we retain a sufficient degree of international competitiveness to continue to attract and promote investment in our own country.

While our rates will still continue to be higher than some of our competitors, subject to events we cannot foresee elsewhere, we do have other positives that we can sell that will stand us in good stead to attract investment to this country: we are a stable democracy; we are a secure nation; we live by the rule of law; our financial safeguard institutions are globally well regarded; we have some of the strongest and safest banks in the world; we have a highly skilled workforce and a lifestyle that is the envy of many; we have world-class health and education systems and a reliable and trustworthy business culture.

As long as we maintain these standards, we can continue to attract the level of investment that we have previously enjoyed from both domestic and international businesses and our economy can grow with jobs and have opportunities for all, even if our corporate tax rate, as we do bring it down, becomes simply ballpark competitive. That is the aim here: a competitive rate, not a discount rate.

It would difficult to be as upbeat about the future as we might like to be, if this plan were to be rejected, which is what Labor and the Greens want. Their opposition is just one of many instances where their policy positions have, long ago, lost touch with any semblance of reality. This bill is a gauntlet for the Labor Party, one of many gauntlets that we need to throw down, because only if they break from the Greens and come to common sense will Australia benefit.