

10 April 2018

Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Inquiry into the Business Council of Australia's
Commitment to the Senate

Dear Chair

The Finance Sector Union of Australia (FSU) represents the workers in Australia's financial services sector, and thanks you for the opportunity to provide a submission to this inquiry.

The FSU does not support a cut in the corporate tax rate at this time. Current Government expenditures outstrip revenue raised; granting corporate tax cuts will worsen this position.

Ultimately, corporate tax cuts will imperil service delivery in areas such as health and education, and would place ordinary Pay As You Earn (PAYE) Australian employees in the position of bearing the revenue-raising burden. Unlike big corporations, the tax take from PAYE workers is gone each pay period before they even see the money.

It is simply not fair that some large corporations refuse to pay their fair share; this is especially so when large firms such as banks DO pay their fair share. (*Australia's Big Four banks paid 80% of the total tax take of the ASX 200 in the most recent reporting period - Australian Bankers Association*)

In some cases, individual workers pay more tax in real terms than the firms themselves.

In the context of the macro-policy settings that have given rise to the Government's efforts to reduce corporate tax rates, the Finance Sector Union makes the following comments:

- The proposed tax cuts for corporations will exacerbate the current, and worsening, structural deficits in the Federal budget;
- Notes that, over time, this will mean that services or transfer payments will need to be reduced OR other taxation measures / rates will need to be introduced;
- Notes the great diversity of views amongst economists as to the extent of Gross Domestic Product growth that may derive from corporate tax cuts;
- Notes the Federal Treasury's own very modest estimates of corporate tax cut related GDP growth (up to 1%);

- Notes that where the most optimistic forecasts are not delivered in full, budgetary pressures will continue to grow;
- Notes that in such an environment, there will be increasing pressure to raise revenue from Pay As You Earn (PAYE) taxpayers, and small businesses;
- Notes also that where the most optimistic growth forecasts are not delivered, budgetary pressures will also give rise to moves to increase the regressive Goods and Services Tax (GST);
- Notes the Federal Treasury's own estimates of prospective wages growth of only circa \$750 per wage earner per year, and the lack of clarity as to whether this applies to an average worker, and over what period;
- Notes the extended implementation period for the proposed corporate tax cuts, and the likely worsening of the budget position over this period.

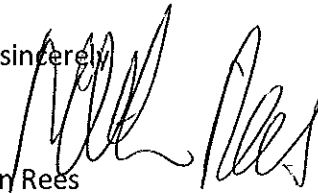
With regards the specifics of the **Commitment to the Senate** under the auspice of the Business Council of Australia (BCA), the FSU:

- Notes that leaked documents indicate that a more specific and targeted commitment was rejected by the signatories;
- That the tax paid by a number of signatories would be laughable were it not for the fact that ordinary Australians have to pick up the slack - Energy Australia, JBS Australia, MYOB, Origin Energy and Qantas all paid NO tax in the 2015-16 financial year (*Australian Tax Office, Tax Transparency report 2015-16, December 2017*);
- Notes that whilst tax law provides for losses and profits to be offset over multi-year periods, some companies appear to have paid no tax for extended periods;
- Notes that the BCA phrasing "...commit to invest more in Australia..." provides zero information as to quantum, timeframe or current investment plans;
- Notes that the BCA "commitment" has zero information as to current wage growth estimates for comparison purposes;
- Notes that the BCA "commitment" has zero information relating to current employment estimates for comparison purposes.

The Finance Sector Union takes a deep interest in public policy matters. By way of example, we have recently opposed the levy on bank profits. We did this because we believe investors are entitled to a level playing field. Consistent with this, we believe that all Australians, individuals and corporations, need to pay their fair share of tax.

A corporate tax cut is not appropriate at this time for a country with significant budget challenges. The lack of any genuine or meaningful detail in the BCA "**Commitment to the Senate**" diminishes the credibility of the commitment so substantially as to render it essentially worthless.

Yours sincerely,



Nathan Rees

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Finance Sector Union of Australia
