



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

PROOF

BILLS

**Treasury Laws Amendment
(Enterprise Tax Plan No. 2) Bill 2017**

Second Reading

SPEECH

Monday, 20 August 2018

BY AUTHORITY OF THE SENATE

SPEECH

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Questioner
Speaker Colbeck, Sen Richard

Source Senate
Proof Yes
Responder
Question No.

Senator COLBECK (Tasmania) (19:55): I rise to make my contribution to the Treasury Laws Amendment (Enterprise Tax Plan No. 2) Bill 2017. We bring this piece of legislation forward because we believe that Australia, as a nation, needs a competitive tax regime for all business. Senator Hinch just talked about a graduated scheme that we have in place at the moment. I wasn't here when all of that legislative framework passed the parliament, but it has been a process of 'achieve what you can while you can'. I acknowledge that the parliament has progressively passed tax cuts, first for companies with a turnover of up to \$10 million and then for companies with a turnover of up to \$50 million. But fundamentally the government believes that putting in place a Ten Year Enterprise Tax Plan gives companies certainty for the future. It allows them to attract, in a global market, the investment capital that they need to grow their businesses and to grow the Australian economy, which will then result in increased tax revenues into the Australian Treasury, which will allow us to guarantee the funding for health services, education services and disability services—all those essential services the government needs.

Senator Hinch talks about not wanting to give the banks a tax cut, but what Senator Hinch is talking about is having a punitive company tax system, which we don't have in this country. Now, I agree with Senator Hinch that the banks have done some completely heinous things, but we shouldn't be punishing them for those things through the tax system. We should punish them through the regulatory framework, and we've done that. This government has passed a number of pieces of legislation and continues to regulate to manage the behaviour of the banks. That's demonstrated by the recent \$700 million fine that was laid against the Commonwealth Bank for their behaviour. That is the way you deal with the bad behaviour of any corporate enterprise, not via the tax system. The tax system is not about regulating behaviour. It is not designed to be a punitive system based on whether we think you're good or not. It is about having a competitive global taxation framework, given that—regardless of whether we like it or not—we live in a global economy. Therefore, to attract investment capital into the Australian economy, we need to have a globally competitive tax framework that puts any business or sector that wants to invest in the Australian economy in a situation in which their returns will be competitive.

Senator Hinch quite rightly said a few moments ago that there have been changes to tax regimes all around the world to reduce the rate of tax that companies will pay. As we stand right now, we are not competitive in that global sense. The point of a Ten Year Enterprise Tax Plan is to progressively bring the Australian company taxation regime into a competitive framework with the rest of the world. It's not as if, under that framework, the big banks are getting a tax cut tomorrow. It takes time for those tax cuts to be phased in as the economy grows and as the health of the budget returns.

From the rhetoric that we've been hearing over recent weeks you'd think it was all going to happen tomorrow and that there was some sort of huge handout. In fact, during the Braddon by-election, all we heard from the Labor Party was about giving \$17 billion to the big banks. We're not giving anyone anything. We're allowing people to keep more of the money that they earn in the sense of the profits that they make. That's what we're doing. We're allowing businesses of any size to have more of the money that they earn as profits, so that they can reinvest that back into their businesses, and, yes, some of it will go to the shareholders.

In the context of the banks, I think something like 80 per cent of that will go back to shareholders, which will go to mum and dad investors. It will go back into superannuation schemes that will benefit all Australians all around the country, because all of the major superfunds, whether they be private or even the industry funds, are all invested in these major companies. That money will go back to the benefit of Australians in their superannuation retirement funds. There is a benefit of this process to the broader Australian community and that's what it's designed to do. It's designed to make Australia globally competitive over the next decade, so that Australian business can attract the investment capital that they need to continue to grow.

We've already seen and heard from small businesses, and I visited quite a few of those during the recent Braddon by-election. They were telling us the benefit of having more of their money, so that they could reinvest it back into their businesses. They were very, very keen to be able to make those investments, so that they could grow

their businesses more quickly. They were very keen to be able to employ more locals into their businesses, as the other policies that this government has in place started to generate new opportunities for them.

One of the businesses that's become quite prominent in the conversations in this place over recent months is Penguin Composites. We've heard from John van der Woude, who is looking to employ more locals, who wants to be able to reinvest back into his business and who was misled by the member for Braddon as to the tax rate that he might pay being a business that has a turnover of up to \$10 million.

During the campaign, the member for Braddon came out and said that there would be no rollback of legislated tax cuts. She said that a number of times in an attempt to make small businesses in Tasmania think, and particularly small businesses in Braddon, that they would be on the same tax rate under Labor as they would be under the government. The problem with what she was saying was, she either didn't understand Labor's tax policy or she wasn't telling the truth, because the Labor Party's tax plan is to increase the legislated tax rate that currently exists from 25 per cent to 27.5 per cent. So every small business with a turnover of up to \$10 million in Braddon, in Tasmania and across the country, is going to pay a higher tax rate under the plans of the Labor Party than they will under the coalition. We have already legislated tax cuts down to 25 per cent.

The Labor Party use this tricky language of saying, 'We will accept the tax cut that's enforced at the time of the election', in an attempt to dupe small business into believing that they will pay the same tax rate but they won't. The Labor Party will legislate to increase taxes for small business, and it is dishonest of the member for Braddon to try and portray the fact that that's not the case. She tried very hard to do that. In a very deliberate speech that she made at the chamber of commerce function in Ulverstone, in a prepared statement, she quite clearly tried to suggest to the audience that there would be no rollback of legislated tax cuts. She was wrong. Fortunately, the Tasmanian Chamber of Commerce, the Burnie Chamber of Commerce and Industry, the Devonport Chamber of Commerce and Industry, and the Central Coast Chamber of Commerce and Industry saw through her misleading statements and they marked against her for that, as they should have. Quite clearly, the Labor Party policy is to roll back the legislated tax cut that has already been passed by the government. Ms Keay said: 'There will be no repeal of legislated tax cuts for small business. I get that you need certainty, and you'll get it.' These were prepared remarks in a prepared speech—but it was a lie. It simply was not the truth. The Labor Party are going to roll back the legislated tax cut that already exists for small businesses with a turnover up to \$10 million, increasing the rate from 25 per cent to 27½ per cent. Ms Keay needs to do better. She needs to be honest with the businesses in Braddon, as do all the Labor members in Tasmania, when they try to use this tricky language to mislead businesses. Fortunately, business in Tasmania is onto them and understands that there will be an increase in tax.

One of the other things Ms Keay said at that particular event was that she'd enjoyed the last two years getting to know a bit about business. It's good that she admitted that she didn't know much about business. It's actually refreshing that she's made that admission. But what really demonstrated her complete lack of understanding of business, particularly in the seat of Braddon, were some comments that she made that only 10 businesses on the north-west coast would benefit from tax relief.

Ms Keay doesn't understand that larger businesses also employ people in Tasmania. For example, Wesfarmers are a major business that operate across Australia, and in Tasmania they employ 3,817 people. But, because their registered office is in Western Australia, Ms Keay doesn't believe that the tax cuts for business will have any impact in her electorate. Of course, Wesfarmers operate Coles stores, which are in almost all the major communities in Tasmania. When Wesfarmers are making a profit, they can reinvest back into their supermarkets and their stores, doing upgrades, which provides a capital return and opportunities for tenders for local small businesses. MMG in Rosebery has its registered office in Melbourne, but it employs 411 people in Tasmania. It is the lifeblood of the town of Rosebery. And, of course, those big mining companies reinvest back into exploration to continue their businesses and to grow their businesses and to extend the life of the mine, which they do very successfully and have done for decades. Ms Keay doesn't understand that them having more of their profits to reinvest back into the business makes a difference. She doesn't get it.

Even with our local newspaper—which, up until recently, was owned by Fairfax and has its registered office in Sydney—she doesn't believe that that business and the employees that work for it can gain any benefit. Of course, the more profitable that business is nationally, the more sustainable it is locally, so there are more opportunities for local cadet journalists and for a strong communication of news and events through the local community. Ms Keay has admitted she's spent two years learning something about business, but she clearly doesn't understand what it actually means.

As I've said a number of times, even though Labor in government profess to understand what is good for business, the problem is that, for purely political purposes—for purely crass, political purposes—they're seeking to oppose this legislation. In government, Mr Shorten said:

Cutting the company income tax rate increases domestic productivity and domestic investment. More capital means higher productivity and economic growth and leads to more jobs and higher wages.

He said that in the House of Representatives in August 2011. In March 2011, Mr Shorten said:

... lowering the corporate rate for smaller businesses only—

as the Greens were then proposing—

creates an artificial incentive for Australian businesses to downsize—

which goes to the point that we were making with respect to Senator Hinch's comments earlier. He said:

In worse case scenarios some businesses might actually lay people off to get smaller—and the size based different tax treatment would create a glass ceiling on business workforce growth. Instead we want a level playing field regardless of the size of the company.

These are things that the Labor Party used to believe, and now, for political expediency, they're not prepared to even say that. Former Prime Minister Julia Gillard said:

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

So I guess Labor are against economic growth. That's not what's the government's about. We're looking to grow the economy. We're looking to grow tax receipts so that we can secure those essential services like health and education. She went on:

If you are against economic growth, then you are against jobs. And, if you are against economic growth and jobs, then you are also against increasing wages ...

So all of the things that Labor said in government, the things that they said they believed in, they're prepared to walk away from now purely for crass political expediency. They're not prepared—as the government is—to consider a responsible, 10-year economic tax plan that brings in these measures progressively and allows industry and business to plan, as the economy grows and as the budget is brought back to surplus successfully by this government. They now just want to descend into simple, crass political rhetoric. And I saw it in the polling booths in Braddon, where they tried to play off people's concerns about the behaviour of the banks against funding for health and education.

They lied to the Tasmanian people about cuts to health, when the health funding has actually increased in Tasmania by 42 per cent over what it was under the Labor Party. They lied to the Tasmanian people. The good thing, though, is that people actually saw through it. I had people ringing me up saying, 'We're sick of seeing Labor's lies on TV.' In fact, some people even rang me and said: 'We've got to watch the ABC, because we can't put up with the ads on Channel Seven. We just need to turn off the Labor lies.' That's what they said to me.

We have put in place, and we would like to put in place, a strong economic plan for this country—having brought the budget back to surplus a year earlier—that allows businesses to keep more of their money, to invest in their businesses and to grow their businesses, which will grow the economy, grow jobs, and place upward pressure on employment. I saw and heard that during the Braddon by-election. I was talking to an employee in a business and we were talking about the skills shortage in his particular trade. And he said to me: 'We know; we understand. If company A needs somebody in my trade at the moment, they're going to effectively steal them from company B. So we need to train more people, and our bosses know that, but they also know that we can actually ask for more money.' That price pressure in the employment market is already starting to occur. It is starting to occur in Braddon. The employees know it, and they're talking about it.

But, of course, Labor don't want to know. All they want to do is talk the economy down. They want to oppose any measure that might grow the economy, and they want to continue to put down those key businesses that are

going to be an important part of the growth of the economy, making it stronger, employing more Australians and putting upward pressure on wages for the benefit of the broader community. I commend the bill to the Senate.