



Speech by

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MEMBER FOR SANDGATE

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GOODS AND SERVICES TAX

Mr NUTTALL (Sandgate—ALP) (11.40 a.m.): Last Saturday, Australians voted for no change to our Constitution. However, come 1 July next year, we as a nation will probably undergo one of the greatest changes that we have experienced this century, and that is the change to our income tax system. My contribution today will be on the GST and in particular the variances between the PAYE tax rates and the company tax rates that will eventuate as a result of the GST.

We have been told by the Federal Government that, under the GST, we will receive massive cuts to personal income tax and increases in family payments. We have also been told that self-funded retirees and pensioners with savings and investments will benefit from one-off untaxed bonuses to help maintain the value of their savings and retirement income. However, I put to the citizens of this State that we are being conned.

I refer to today's PAYE tax rate and the tax rates that are to come in. Basically, under the new arrangements to come in next year, there will be four tax scales. At the moment, the tax scale ranges from nothing for an income of up to \$5,400 to 47c in the dollar for earnings over \$50,000. Under the new tax scales, there will be nothing up to \$6,000—so that is a lousy extra \$600 people are being allowed to earn—and there will still be a 47c in the dollar tax rate for people earning in excess of \$60,000. The average income for PAYE workers is between \$20,000 and \$50,000. Under the current scheme, those workers pay income tax at the rate of 43c in the dollar. Under the new scheme, we are told that their income tax rate will be 30c in the dollar. However, the difficulty is these tax scales are not indexed in any way. Within three years, the average PAYE worker will be earning somewhere in the vicinity of from \$40,000 to in excess of \$50,000 a year.

At this point the average PAYE worker receives a pay rise of approximately 4% per annum. I understand that, currently, both unions and employers are trying to stitch up a three-year enterprise bargaining package of around 4% a year. On that basis, a teacher, for example, will receive a 12% pay rise over three years. The average teacher earns somewhere between \$40,000 and \$45,000. Under that enterprise bargaining package, those earnings will creep over the \$50,000 mark. Therefore, because this new tax scale is not indexed, within three to five years not only teachers but also people in other professions will end up paying income tax of up to 42c in the dollar. Once workers get over the \$60,000 a year mark, they will pay income tax at the rate of 47c in the dollar. I believe that the Democrats have a lot to answer for in their negotiations with the Federal Government because, under this new tax rate, the PAYE worker will be stung fairly severely.

I turn now to company tax rates. The Federal Treasurer has indicated that in the 2000-01 financial year the company tax rate will be 34c in the dollar. In the 2001-02 financial year, the company tax rate will then drop to 30c in the dollar. Therefore, companies will not have to worry about a tax scale; they will just have a flat tax rate of 30c in the dollar. So we will have companies paying income tax at the rate of 30c in the dollar and PAYE workers paying income tax at the rate of between 42c and 47c in the dollar. That will lead to what we experienced back in the 1970s and the early 1980s—the flourishing of bottom of the harbour schemes. Because of the tax scale, PAYE workers will be forced to try to find other avenues through which they can minimise their tax. We have already had national inquiries into bottom of the harbour schemes.

There is no incentive in the new tax system for PAYE workers to be rewarded in any way for working harder simply because, if they do, their extra earnings will push their income into the top income tax rate. Yet companies will pay a flat rate of income tax of 30c in the dollar. I do not believe that is fair. For example, a joiner, a carpenter or a builder who employs one or two people will, as a company, pay income tax at the flat rate of 30c in the dollar. That is grossly unfair, particularly as the new tax scales for PAYE workers will not be indexed. I believe that was a gross error of judgment on the part of the Democrats in their negotiations with the coalition in relation to this matter.

I do not believe that the tax reforms have gone far enough. I do not necessarily support a flat tax system. However, if companies pay income tax at the flat rate of 30c in the dollar, why do PAYE workers have to pay income tax at the rate of anything between 42c and 47c in the dollar? That is unfair. It means that PAYE workers will bear the burden of paying most of the tax.

Mr Reynolds: It's a Tory tax.

Mr NUTTALL: I take the interjection from the honourable member for Townsville, because that is exactly what it is. Under this new tax rate, employees will suffer the most. As I said at the start of my speech, in my view it is important that companies are encouraged and are given incentives to build their business so that they can create more jobs. I would be the first person to support that. However, I do not support that encouragement at the expense of the PAYE worker. Why in heaven's name do we have to have such a huge tax rate for PAYE workers of between 42c and 47c in the dollar?

I honestly believe that the Federal Government will receive a great windfall from the GST. I believe that people have grossly underestimated the implications of the GST. It is a consumption-based tax and, of course, the people who will suffer the most from it are those who have large families and who have to buy the basic necessities for their children. So those people are whacked at the purchasing end and then they are whacked at the tax rate end. In my view, a tax rate of up to 47c in the dollar is no incentive to help reduce unemployment. People will simply opt out of the system. Once workers' earnings go over the \$50,000 mark, they will fall into the higher tax bracket. The GST is an unfair tax on PAYE workers. To say the least, the tax scales need to be indexed and the maximum tax rate that should be applied to PAYE workers should be the same as that applied to companies, and that is 30c in the dollar. Otherwise we will see a proliferation of bottom of the harbour schemes.

Time expired.
