

Australian Labor Party outbids Coalition in big business tax handouts

By Mike Head
7 February 2019

Despite the Australian Labor Party's electoral rhetoric about opposing tax cuts to the "big end of town," it is offering the country's banks and largest corporations bigger concessions than those pledged by the increasingly unstable Liberal-National Coalition government.

The Labor Party and its trade union partners are anxiously promising to curb escalating social inequality, fearing an eruption of working class unrest after decades of job destruction, declining real wages and deteriorating social conditions. Labor leader Bill Shorten has repeatedly declared that "the super-rich don't pay their fair share of tax," and blamed that for the inadequate funding of schools and hospitals.

In reality, for all their talk of "fairness," Labor and the unions are vying to form yet another big business Labor government which will deepen the corporate offensive under the Hawke and Keating Labor governments of 1983 to 1996 and the Rudd and Gillard Labor governments between 2007 and 2013.

Last week, both Labor and the Coalition, which have alternated in governing the country since World War II, unveiled pro-business tax policies for the looming federal election, which Prime Minister Scott Morrison must call by mid-May.

Labor quickly matched a government extension of tax subsidies for small and medium-sized businesses. The change enables businesses with annual turnovers of up to \$10 million to instantly write off purchases of up to \$25,000. This is a \$5,000 extension of the previous \$20,000 threshold.

An article in the *Australian Financial Review* on January 30 highlighted that "Labor could go to the election promising greater tax relief for business after the government extended breaks to small business by another \$750 million, but stopped short of doing

anything for larger corporations."

Labor is promising a bigger tax write-off scheme designed to favour major investment-heavy companies, especially manufacturers, energy generators, oil and gas producers, miners and banks.

Under Labor's Australian Investment Guarantee, budgeted to cost \$10.3 billion over a decade, all businesses could immediately deduct 20 percent off new assets worth more than \$20,000. Machinery, vehicles, plant and equipment, and intangible investments such as patents and copyrights, would be eligible.

According to the *Australian Financial Review*: "Businesses in industries with large-scale investments with long depreciation time frames over several decades would receive the largest cash flow boost. Many power, oil and gas and mining projects are depreciated for tax and accounting purposes for 20 to 30 years."

Labor announced the scheme last year when it feigned opposition to the government's proposed company tax cuts for big businesses. Facing immense public hostility, the government later dropped its plans. Both parties now agree that businesses with turnovers capped at \$50 million will have their corporate tax rate slashed from 30 percent to 25 percent by 2020–21, five years earlier than originally proposed.

In part, Labor's scheme is a desperate effort to revive corporate investment, accompanied by other pro-business "reforms" to boost profits at workers' expense.

Annual business investment as a share of Australia's economy is languishing near a 25-year low, following the implosion of the mining investment boom, according to Reserve Bank of Australia data. Investment ran at about 12 percent of nominal gross

domestic product last year, down a third from a peak above 18 percent in 2012.

Worse is expected to come as global economic growth stalls and the US economic war intensifies against China—by far Australian capitalism’s biggest export market. Housing prices and retail sales are plummeting and a National Australia Bank business confidence survey last month recorded its steepest monthly fall since the 2008 global financial crisis.

Labor has said it will fund its big business tax breaks by curtailing, to a limited extent, tax handouts to wealthy individuals, such as negative gearing subsidies for landlords, capital gains tax discounts, and cash refunds of franking credits and trusts typically used by rich families.

This refocussing of tax concessions is vehemently opposed by the Murdoch media but has been received sympathetically in other ruling circles. The Business Council of Australia (BCA), which represents the largest companies operating in the country, still advocates cutting the company tax rate to 25 percent for all businesses, particularly its members, but has signalled support for Labor’s alternative.

“If we are incapable of lowering the company tax rate for all companies, let’s do something meaningful on investment or depreciation allowances,” BCA chief executive Jennifer Westacott wrote in an opinion column in the *Australian Financial Review* last month.

Last October, Shorten also pledged to extend income tax cuts to the wealthiest layers of society once a Labor government had eliminated the budget deficit. “We would like to do more reform on personal income tax but the budget has to be sustainable,” he told the *Australian*.

Shorten indicated Labor’s readiness to match the Coalition government’s seven-year plan, announced in last May’s budget and pushed through parliament in June. This means cuts of \$8,350 a year by 2024–25 for those with household incomes of up to \$300,000 a year.

Far from opposing inequality, Labor governments have spearheaded the slashing of corporate and high-income tax rates. The Hawke and Keating governments began the restructuring of Australian capitalism at the direct expense of the working class. Backed by the unions, they reduced the company tax rate more than any other government in Australian history—from 49 to 33 percent—and cut the top marginal

income tax rate from 60 percent to 49 percent.

While signalling its readiness to accept Labor’s tax plans, the corporate elite is ramping up its insistence that Labor must not flinch from cutting spending on health, education and other social programs in the face of working class demands. “A genuine risk is Labor blows too much,” an *Australian Financial Review* article declared on January 24.

Those in ruling circles, including the Labor and union bureaucrats, are well aware that a social explosion has built up, just as it has globally—as seen in the maquiladora workers’ strike in Mexico, the “Yellow Vests” protests in France and rising working class struggles from the US to India. As is the case elsewhere, it is likely to erupt outside the control, and in opposition to, the thoroughly corporatised unions.

In Australia, millions of workers are outraged by soaring social inequality, falling real wages, rising rates of casualisation and the ripping up of working conditions. At December’s Labor Party national conference, Australian Council of Trade Unions (ACTU) secretary Sally McManus invoked the spectre of a “tsunami” of social unrest. “The trade union movement is an early warning sign of the tremors before the waves meet the coast,” she warned the gathering.

The ruling class is nervously looking to a Labor government to contain and suppress discontent, while demanding that it impose far deeper attacks on workers amid economic slump and war preparations.

To contact the WSWs and the
Socialist Equality Party visit:

<http://www.wsws.org>