

28 May 2008

TAX LAWS AMENDMENT (LUXURY CAR TAX) BILL 2008

Second Reading

Mr BRADBURY (Lindsay) (10.53 a.m.)—I am pleased to have the opportunity to speak after the member for Wentworth, having now heard where the opposition stands on this issue. As with many other issues and many other points of contention in recent weeks, the opposition is clearly choosing to embrace this brave new era, this bold new policy option, of neither supporting nor opposing. They were neither supporting nor opposing changes to their Work Choices laws. We now hear that they will not be dividing on this issue but they think it is bad legislation.

The member for Wentworth went through a whole series of criticisms of this tax, and I would like to go through and respond to those criticisms one by one. But I make the obvious point that the member for Wentworth seems not to be aware of: this particular taxation measure is an increase to a rate of a tax that is already in existence, a tax that has been in existence since the former government put it in place back when the new tax system, the GST, was introduced in 2000. Prior to that, taxes on luxury cars have been commonplace in this country since 1978.

Taxing conspicuous consumption of this sort is a matter that has never previously been the subject of the sort of contention that we are now seeing. That raises all sorts of questions about the commitment of those on the other side to delivering a tax system that delivers equity. It is all right to have an efficient system. It is all right to have a system that delivers the revenue that governments need for the outcomes they need to deliver in communities. There needs to be equity in the system, and the member for Wentworth has completely failed to take account of the equity considerations.

So we are talking about a threshold that was already in place. There is no suggestion that the threshold is being changed, but the tax that will be applied to cars on values above that threshold is to be increased. It is a sensible measure that is driven by the need to be economically responsible. That is the pervasive theme of the budget that this government has handed down. It is about delivering economically an economy that we know will sustain itself into the future, running a surplus that ensures we are not fuelling inflation, that we are taking the heat out of the economy so that we are not driving up inflation, which ultimately will drive up interest rates. We all know that interest rates and petrol prices are probably the two biggest factors currently squeezing the household budget. So the No. 1 objective in this budget is to demonstrate that this is a government committed to sensible economic management. We have delivered that and this important measure is part of that.

To oppose this, if those on the other side choose to demonstrate their intestinal fortitude by doing that, would be to leave a further hole in the surplus. To oppose this is to mount a continued campaign, a raid on the surplus, and the opposition seems intent on doing that. I commented yesterday in this chamber that I thought those on the other side were pretty good at spending money when they were in government. In fact all the figures show that they were spending money at a rate faster than we have

seen in recent history. They were pretty good at it in government. But their capacity to spend money in opposition is unrivalled. Whether it be raiding the surplus for the 5c cut to the fuel excise or forgoing important revenue measures such as this, what we are seeing on the other side is that the fig leaf of economic responsibility they have hidden behind for so long is now being removed, and I must say that what is left for us to gaze at is not a very pleasant sight.

The member for Wentworth came in and said that the government is confused on the issue of taxation. It seems to me that he is rather confused on a range of matters, and taxation is one of them. I was interested to go back and look at an article that related to the member for Wentworth's tax plan that he released a couple of years ago. In this brave new era under the new opposition I am interested to know how many of the particular proposals that were contained in that series of proposals now form part of opposition policy—to the extent that they have any policy. At the time there were some very serious critics of the member for Wentworth's proposals. In particular I note that the member for Higgins was foremost amongst those critics, and he is a person whom those on the other side are very quick to cite as a beacon of economic management—

Interjection

Mr Pyne—*Mr Deputy Speaker, I rise on a point of order. Under standing order 76 a member must speak only on the subject matter of a question under discussion, and there are a number of exceptions that do not apply here. This debate is about the Tax Laws Amendment (Luxury Car Tax) Bill and the luxury car tax imposition, general, customs and excise bills, and the issue of past policy discussions within the former government and the attitude of the member for Higgins are hardly relevant to this debate. If the member has not got enough material to sustain a debate on luxury car taxes he should not enter into the debate, and I would ask you to draw him back to the subject.*

Interjection

Mr Martin Ferguson—*Mr Deputy Speaker, on the point of order: like the member for Sturt, I also have a good appreciation of the standing orders, having served on the Procedure Committee for a number of years. This is a wide-ranging debate. So far as I am concerned, the member is speaking to the bill. I would also remind the member for Sturt that the shadow Treasurer made a very wide-ranging contribution during which no points of order were taken. I simply say that if that is the approach of the member for Sturt with respect to these debates, then the same approach can apply to the member for Groom during his contribution. I ask the member for Sturt, through the chair, to exercise a little bit of give and take in what is a wide-ranging debate.*

Interjection

The DEPUTY SPEAKER (Dr MJ Washer)—*Would the minister resume his seat. I call on the member for Lindsay to continue.*

Continue

Mr BRADBURY—Thank you, Mr Deputy Speaker. The point that I was directing my comments to was that in the member for Wentworth's previous contributions to the public debate on taxation policy he has put forward a plan—in fact, as the member for Higgins described it, it was not one tax plan, it was 280 tax plans. My interest is: to what extent did those 280 tax plans address this 'grievous injustice' that is being caused by the existence of the luxury car tax? I say that because the luxury car tax is, as I mentioned, already in existence. This measure is designed to increase the levels at which that taxation is to be recovered by the revenue. It is an increase in the tax; it is not a new tax. So all the bleating coming

from those on the other side raises the question: if it is such an unfair tax, if it is a tax that feeds into this growing sense of the politics of envy and the economics of envy, why did they introduce it? Why did they introduce this tax back in 2000 with the new tax system? Why did they introduce the first tax on luxury cars back in 1978, when the former member for Bennelong was the Treasurer? The answer is simple, and that is that there is consensus—or there has previously been consensus—that it is not unreasonable to tax conspicuous consumption of this sort.

I have not heard an argument from the other side that the threshold is pitched at an inappropriate level. There is no suggestion that it needs to be moved, and there certainly was no suggestion of that when they were in government or, presumably, they would have done that. However, we are finding more and more that all of these 'great ideas' they are bringing forward are ideas that they had the opportunity over 12 years to implement but chose not to get around to doing. Perhaps that is what it was—they just did not get around to it. Well, we are not in the business of getting around to doing the things that they failed to do. We are here to do a job, and that is to deliver an economy that will be run like a finely tuned car, an economy that will deliver for working families and all families and individuals across this country. The best way we can do that is by running a tight budget, by ensuring that we secure a \$21 billion surplus. And we will fight every attempt from those on the other side to raid that surplus because, in doing so, we will be standing between them and the interests of working people in this country. We know that every time they go in and raid that surplus they will be putting more pressure on inflation. They will be putting upward pressure on interest rates. I am absolutely determined in representing the interests of the people in my electorate that we will do everything we can, to the extent that that is within the power of government, to minimise any inflationary implications of our policies to ensure that we are taking pressure off inflation and that we are not driving up interest rates.

Let me turn my attention to some of the specifics of this particular initiative and respond to the member for Wentworth's arguments. In particular, let me begin with the 'family size' argument. I was enlightened by this. It is something I do not know a lot about because I have only got four children! With the birth of my twins a few years ago, my wife and I had the task of finding a new car because the sedan just simply would not fit the six of us. So we went out to do so, and I have to say that the luxury car tax, even at the existing threshold—which is not proposed to change—was not something that had any bearing on the decisions or the choices available to us. The so-called 'Tarago tax' only affects one particular Tarago, one particular people mover, and that is if you upgrade it to the very highest level. What about the Kia Carnival, which happened to be our family's car of choice? That is well and truly below the threshold. And there are many other options. It is curious that it seems to be those who do not live with the same realities of everyday life as the people in suburbs around this country who are driving this notion that the only car a large family could ever buy would incur the luxury car tax. If that is the suggestion coming forward, let me debunk it here. It is ridiculous to suggest that.

Let me move on to the argument about the environmental issues, that this is a tax on those seeking to pursue the environmental option and have a car that is more environmentally friendly. In my experience, most people in my local community looking for an environmental option might look at a Prius or they might look at doing certain things to their car to make it less dependent on petrol or—and I hear this very often—they might look at a smaller car. They might go for a Daewoo Lanos or a Hyundai Excel. They might go for one of those cars that is a little bit less hungry on the juice, on the petrol. None of those cars are above the threshold that is in question here. In fact, the member for Wentworth comes in here and holds up the Prius. 'The hybrid or the Hummer,' he says, 'will be taxed at the same rate.' Well, if you went

and bought a Prius you could buy it for less than that threshold. Unless you bought some fairly significant upgrades to the vehicle, you would be able to buy yourself a Prius without incurring the luxury car tax. These are the sorts of fallacious arguments that those on the other side are left to hide behind. They are opposed to this because they do not believe in it, but they are also too embarrassed to stand up and vote against it. I think that is the message from what the member for Wentworth has indicated.

Can I respond to this issue of free markets. It is just so interesting to see the member for Wentworth come forward and say, 'Change of government at the last election: we now see Soviet-style intervention in the marketplace. Gone are the days of the free market!'—no doubt favouring the vision of the invisible hand of the marketplace turning the key in the ignition of some wealthy person's Lamborghini. The issue here is that there is nothing strange about what is occurring or what is proposed in this legislation. If the member for Wentworth believes that a luxury car tax is an attack on the free market, that it is old-style socialism, then perhaps he might have taken the opportunity when he was last in government to raise that with his Prime Minister, the former member for Bennelong—the Prime Minister who presided over the introduction of the New Tax System and the GST which introduced this luxury car tax. Or perhaps he might have raised it with the former Prime Minister, the former member for Bennelong, who was the Treasurer in 1978 when the first tax on luxury cars was introduced.

I have heard the former Prime Minister, the former member for Bennelong, called many things. In fact, on occasions, I might have been guilty of contributing by calling him the odd thing myself. I have a lot of respect for him, but one thing I would say about him is that I would never, ever call him an old-style socialist. There are plenty of things I would call him, but I would not call him that. But the member for Wentworth is armed with his 280 or so tax policy responses, which may or may not form part of the opposition's tax policy when they get to the point of actually telling us what it is beyond a 5c reduction on the excise on petrol. We all know that will raid the surplus of \$8 billion over the next four years. With the exception of that particular initiative, we really have no detail about whether or not those 280 other policy initiatives will form part of the opposition's proposals or whether we just have to wait, like for most things, until they tell us between now and the next election.

The reality is that this tax measure is an important contribution to our overall economic strategy. It is an economic strategy that is focused on ensuring that we secure a significant surplus, a \$21 billion surplus, which will take some of the heat out of the economy and, importantly, take some of the heat out of that part of the economy where people are not under the sorts of pressure that we are experiencing in many parts of this country. Yesterday we had many wide-ranging debates about the impact of petrol prices. The Leader of the Opposition came forward in his usual bleating way, standing up for those people suffering from fuel prices. I know that people are doing it tough with fuel prices, and I am very sympathetic to the difficulties that people, particularly in places like my electorate, are struggling with, and the challenge of rising fuel prices.

We had the Leader of the Opposition coming in yesterday, bleating about how hard it is on those people trying to fill up their tank. He did his tour of the country, and he almost broke down in tears about the poor old lady, who I have sympathy for, who was struggling to fill her tank up with \$30. You cannot—or it is certainly difficult to—provide relief to people who are doing it tough, who are really confronting the challenges of everyday living and going from one day to the next ensuring that they have enough fuel in their tank, a roof over their head and some food on the table and deliver a budget that is true to the best interests without choosing to take some austerity measures.

And if we have to start to impose some austerity measures then I have no difficulties at all in supporting a measure that says that in the present climate, if you have the capacity to buy a car that is worth more than \$57,000—which, in my language, is a lot of money—then that is a lot of money for a motor vehicle. I am not saying that there are not plenty of people who spend that money, but it is a considerable amount of money. To make that decision, to take that choice in the current climate, suggests to me that those people who do that are not the people living from hand to mouth on a day-to-day basis. It is not about the politics of envy; it is about saying that if people have the capacity to pursue conspicuous consumption in that way then perhaps those people should bear some more of the burden in managing our economy, in delivering the economic recipe that is required in order to have a budget that retains a strong surplus, takes pressure off inflation and keeps interest rates low.

This is just one measure, and we are still to see whether those on the other side do end up voting against it. They have announced a whole cavalcade of proposals that they intend to block, but the thing they have not said is where they intend to find the additional revenue to compensate for the revenue forgone on the revenue and savings measures that we have announced. Where do they intend to find the money? I know that, with the irresponsibility that opposition brings, they can choose not to address that issue. But if they do that then they will have to do that in the knowledge that members such as I will be going back to our electorates and marching around every corner of this country to shine a light on the economic irresponsibility of those opposite. To the extent that they once enjoyed some superiority on that point, we are determined to make sure that that never happens again. That is why this is a sensible measure, it is an economically responsible measure, and it is one that I have no difficulties at all in supporting. I am hopeful that it will receive the support of both houses in this place.