

27 May 2009

MATTERS OF PUBLIC IMPORTANCE

2009 Budget

Mr BRADBURY (Lindsay) (4:37 PM)—I thought it was a little bit rich when I saw the reference in the matter of public importance from the member for Casey to ‘chaos and confusion’—hallmarks of the Liberal Party post John Howard. We have seen the operation of that mob over there in this parliament. It has been chaos and confusion. We have seen it not just in their response to the budget; we have seen it on a number of specific bills. When the Nation-building Funds Bill came before the Senate, we could not quite work out what happened, because the opposition did not all turn up to vote. There were those who turned up to vote who voted for it, there were those who turned up to vote who voted against it and then there were those who apparently were stuck in the toilet! But the reality was that there was no unity. There was chaos and confusion. Some might even suggest that they are the two warring factions within the Liberal Party—chaos and confusion. It sounds a little bit like Get Smart except there is no control, I can tell you—it is chaos and confusion.

Those on the other side come forward and try to portray this as an attack on employee share ownership plans. That could not be further from the truth. This government is committed, as previous Labor governments have been committed, to having a strong employee share ownership scheme sector in place. That is something that we support and that we wish to continue to support. But we also feel very strongly about maintaining integrity in our tax system. I would have thought that those on the other side perhaps chose to ignore some of these lurks and loopholes. I have to say that when there is a lurk and a loophole the Liberal Party is not far away.

When we look at the operation of these employee share ownership schemes for those at the higher end of the income scale—I am talking above \$1 million, and I will look at some of those figures in a minute—and at the massive tax concessions or, in many cases, the massive amounts of tax that were not paid or that were avoided, I would have thought it would be a matter of public importance for us to shine a spotlight on that. I would have thought that we should try to act on behalf of all those taxpayers who look to us to recover revenue where it is due and payable, to stand up and recover revenue from those who are trying to avoid their obligations and, in some cases, as a result of confusion, are simply unable to meet their obligations.

I think it is worth noting from the outset that one in 20 people earning under \$100,000 are in an employee share ownership scheme. For those earning above \$100,000 it is one in six. So by anyone’s calculation this is not the overwhelming majority of the workforce—far from it. When the member for Casey says that this plan attacks the very people that need the most help, then I simply make the point: one in 20 people earning under \$100,000 have access to an employee share ownership plan. If there is a tax exemption or tax concession available to one in 20, then it begs the question of equity for the remaining 19 in 20. But these measures are directed at the avoidance end of the spectrum. They are directed towards the issues that the ATO has raised. I note that the ATO has said that about eight per cent of the 1,300 executives who earn more than \$1 million a year fail to disclose an average of \$180,000 in income. That was from share schemes. We are talking about \$18 million being defrauded from the taxpayer, whether it be in the form of avoidance or confusion. The ATO has estimated that up to \$100 million of revenue has been lost as a result of avoidance.

The member for Casey asked many questions but the one question that needs to be asked is: if this sort of revenue leakage has been occurring for some years now, why was it that those on the other side, when they had the opportunity in government, did not stand up for hardworking taxpayers, who pay their fair share, and try to recover some of these funds? Not only did they not stand up for those hardworking taxpayers when they were in government; they now want to stand against them in opposition. I think it says a lot about the perspective that they bring to these issues.

Let me look at one particular example. Let’s consider the case of an executive—and I know that those on the other side do not want to focus on executives in this debate, the cheerleaders of the golden handshake brigade. Let’s take

an example of an executive who accepts a position in an Australian company and, as part of his remuneration package, receives 500,000 shares in the company. Those shares are provided to the executive at no cost but are valued on the market at 50c each. Let's pick that figure. The executive then elects to defer paying tax on the shares. He does not include the discount—that is, the \$250,000—in his income in the year in which he acquires them. Five years after acquiring the shares he decides to move overseas. He later ceases his employment and he would be required to include his income for the year and the discount plus any accrued gains on the shares. What happens if that executive is no longer in the country? It is not unusual for that to occur.

The problem with deferral is that it is very difficult at that subsequent point to effect enforcement, and that is one of the major problems with the current scheme. It may not be a consideration for many people that have shares in employee share ownership plans but it is a major consideration for those people at the top end of town who, either through avoidance or confusion, are not paying their fair share. This is a measure that is directed towards ensuring that those people pay their fair share. I would have thought that, if ever there were a time for us to be really taking some hard decisions in relation to clawing back revenue leakages from those that are not paying their fair share, it would be in the current climate, with the \$210 billion worth of tax revenues that have just evaporated as a result of the global recession and the slowdown in commodity prices. I would have thought that now was the time to be acting. Those on the other side stand up and talk about debt but they are not proposing anything and they have not proposed anything that would get the budget any closer to being in surplus than it is at the moment. They deny the fact that the \$210 billion worth of revenue that is lost would be lost whether they were in government or not. That is the reality.

You would have thought that the Leader of the Opposition in his in reply address to the budget would have given the global economic recession a guernsey, but it did not even get a mention. There has been a lot of talk about what was in the budget speech, but there has not been enough focus on what was not in the budget in reply speech. It did not even mention the global economic recession. Those on the other side are pretty fond of selectively quoting parts of the budget papers. One thing that you will not hear them quote is that on page 1-6 of the budget overview in Budget Paper No. 1 it says:

The world economy is expected to contract by 1½ per cent in 2009—the first annual contraction in six decades. This will be the first annual contraction in global growth in 60 years. I would have thought that that is an extraordinary circumstance.

Those on the other side, and the member for Cook is first and foremost among them, come forward and want to tell us that things are not nearly as bad here as they are elsewhere and do not require the decisive action that this government has taken to try and cushion our economy against the impact of the global recession.

Mr Anthony Smith —Every time you say 'decisive', you get a pat on the back.

Mr BRADBURY —I will take that interjection from the member for Casey. I heard his comments earlier about the hard hats. They are very sensitive on that side about hard hats. I did not see them wearing hard hats very often when they were in government, because they did not build anything; they did not believe in building the nation; nation building was not their priority. They get sensitive about the hard hats.

Just yesterday there was a bit of a kafuffle about the hard hat. The member for Canning says that he was not the one who brought the hard hat in, but that it was the member for La Trobe. I will take his word for that. I was astonished that they had a hard hat nearby. They never needed one in their 12 years in office, because they did not build anything; they did not invest in the nation. But then it became a little bit clearer to me why he had such ready access to the hard hat: he needed it yesterday morning in the joint party room meeting—in fact, I think that they were standard issue.

Talk about division; talk about chaos and confusion. They do not know whether they are Arthur or Martha; whether they are greener or browner than the Labor Party when it comes to the CPRS. They do not know whether they support it or not. They have a leader who has said that he was the voice of reason—the voice of progress—in the cabinet. But now he is a stick in the mud; he is an obstacle; he is the speed hump that is blocking any progress on that front.