Response to Australian Treasury

Re:think Tax Discussion Paper

June, 2015
Introduction

The Queensland Nurses’ Union (QNU) thanks the Australian Treasury for the opportunity to respond to the Re:think Tax Discussion Paper (the discussion paper).

Nurses and midwives form the largest occupational group in Queensland Health and one of the largest across the Queensland government. The QNU is the principal health union in Queensland covering all categories of workers that make up the nursing workforce including registered nurses (RN), registered midwives, enrolled nurses (EN) and assistants in nursing (AIN) who are employed in the public, private and not-for-profit health sectors including aged care.

Our more than 52,000 members work across a variety of settings from single person operations to large health and non-health institutions, and in a full range of classifications from entry level trainees to senior management. The vast majority of nurses in Queensland are members of the QNU.

In 2009, Professor Ken Henry conducted a comprehensive review of Australia’s tax system and made extensive recommendations to create a tax structure to position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century and enhance Australia’s economic and social outcomes (Henry, 2009). This review considered over 1500 written submissions, many stakeholder meetings and around 30 speeches and presentations to a diverse audience as well as extensive media coverage. Most of the recommendations were never acted on.

We now find the Abbott government undertaking another ‘rethink’ of Australia’s taxation system, apparently to develop a better system that delivers taxes which are lower, simpler and fairer - a tax system that encourages productive endeavour (Australian Government, 2015). The QNU, like other Australians seeks similar goals, and we make this submission in the spirit of that objective. We hope that yet another major review of the tax system and all of the associated costs may produce fairer outcomes for working Australians.

The QNU strongly supports tax reform in Australia to fund public health and aged care services properly. One mechanism for achieving this is to consider new methods of increasing revenue without unduly impacting on ordinary Australians. Our submission addresses some of the issues raised in the discussion paper and puts forward a number of proposals.
Summary of Recommendations

The QNU recommends the federal government should:

- implement a financial transactions tax (FTT) at rates of around 0.05% (5 cents for every $100 being traded);
- give further consideration to the thin-capitalisation proposal;
- examine the role of ASIC in relation to that of APRA to determine whether there is duplication of effort;
- abandon the $450 per month earnings threshold for superannuation contributions;
- considers more effective measures for means testing and targeting transfer payments;
- recommends employers and the government pay superannuation for periods of paid parental leave;
- adopt the ACTU (2015) policy in respect to superannuation which reads in part:

  In recognition of the fact that average super balances for women are lower than those for men ... endorse the payment of an extra 2% superannuation for woman workers and other initiatives to redress the fact women do not receive equal pay, are more likely to have career breaks and, on average live longer than men.

The QNU recommends the federal government should not:

- change current arrangements for Not For Profit organisations;
- introduce a bank deposits tax;
- withdraw exemptions from paying fringe benefits tax (FBT) for public benevolent institutions (PBIs), health promotion charities (HPCs), public hospitals, non-profit hospitals, and public ambulance services; and income tax deductions for making gifts to deductible gift recipients (DGRs).

The QNU supports the recommendations of United Voice and the Tax Justice Network that the Australian Government should:

- require large corporations to provide more public disclosure and transparency;
- increase fines for tax evasion and extend laws to effectively cover the full range of corporate tax avoidance strategies;
• eliminate or restrict the use of stapled securities for tax arbitrage, according to global norms;
• ensure that the Australian Tax Office is adequately funded and staffed;
• support the OECD’s Action Plan on Base Erosion and Profit Shifting and pressure secrecy jurisdictions to end their status as such through effective cooperation with other governments to combat tax evasion, tax avoidance and money laundering;
• support the automatic exchange of information on tax matters between tax authorities of different countries, with appropriate safeguards, and follow through on its commitment to implement automatic exchange of information on tax matters into Australian law;
• require greater transparency from multinational corporations, including country-by-country reporting. Consolidated annual reports should include revenues, profits, staffing levels and taxes paid in each country in which they operate or have subsidiaries.

The Adequacy of the current tax base to provide services such as health and education

In our view, there is scope to review Australia’s current tax laws and this should occur within the context of budget settings. Government revenues should be set at a rate that allows the government to do its job properly and transfer resources into employment generating and service delivery areas like health and social services.

For good reason, these areas will continue as two of the biggest employment growth sectors over the coming years. It is perfectly reasonable that as a lot of other industries use technological improvements to reduce employment numbers while still enjoying solid incomes, taxation should be used to shift some of that income to the areas of healthcare, education and social services. A review of the corporate tax laws is one way of investigating other means of raising revenue to fund these services.

The following graph indicates projected employment growth by industry to 2017 where health care and social assistance are set to rise significantly in the next few years.
Projected employment growth by industry – five years to November 2017 (‘000s)

Source: Department of Employment, Education and Workplace Relations (2013) Employment Outlook to 2017

Creighton and Crowe (2014) refer to the work of several respected Australian economists to argue that the ‘nation’s jobs market will become increasingly reliant on taxpayers during the next five years as mining and manufacturing shed staff to make way for an army of health, education and welfare workers.’ These prominent economists are confirming the trends in official statistics over a number of years that the nature and areas of employment are changing, in some cases, significantly. These trends emerge as societies and technology progress.

According to Rafferty and Wu (2010, p.5) ‘technologies have produced dramatic reductions in communication, computer processing and transport cost; and less labour is now needed to produce agricultural, mining and manufacturing output.’ These observations are further confirmation that governments need to refocus urgently on the revenue and industry growth aspects of the economic and public finance debate. This includes corporations paying their fair share of taxes.

In Australia, wealth inequality is just below the OECD average. The top 10% own 45% of wealth (compared to half of all wealth on average across the OECD), while the bottom quintile owns 17% of all wealth. Since the beginning of the global financial crisis, median net wealth in Australia has increased at a faster rate than the wealth of the upper percentiles, so that inequality at the top of the wealth distribution has receded (OECD, 2015).
The private sector might help create wealth – government run industries can create wealth too – but if revenue is not increased through taxation, the private sector’s contribution is of reduced value to the wider community. The QNU believes the federal government should levy taxes in a way that supports equity as well as economic growth. By increasing the range and rate of various financial, investment and other business taxes, rather than continuing to shift the burden onto working people through an increased and expanded Goods and Services Tax (GST) and State income taxes, Australian governments can both add to their income and achieve a fairer taxation system.

The federal government should put its energy into growing the economy, industry and, as a consequence, national and State taxation income, rather than focusing on cost cutting and reducing its role in the provision of essential services.

There are also various tax options, targeting financial speculators and other business and investment distortions, which could help seal the current revenue shortfall. A review of some of the taxation reductions for high value, self-managed superannuation funds would be a useful start. We also recognise the possible effects of ‘bracket creep’ where inflation pushes income into higher tax brackets, but there is no increase in real purchasing power. This is not being actively addressed by government but remains an ongoing concern for way and salary earners.

The capacity of the tax and transfer system to deliver improvements to people’s wellbeing is also highly dependent on how governments fund and provide other public services, such as health and education. Governments use a range of mechanisms to support access to these services and current arrangements can sometimes lead to unintended outcomes. Given governments will face cost pressures in funding public services in the future, there is merit in reviewing the principles of public service delivery and the scope for services to be delivered in different ways (Henry, 2009).

There are two ways in which taxation revenue to fund health services can be increased:

- Redirecting from other public expenditure items; and/or
- Increased taxation revenue.

Burgan (2015) suggests the following revenue options might be considered:

1. Increase the rate of the GST to 11%, and broaden its base – without any offset in income tax rates – and transparently direct the funding to health services;
2. Increase taxes on products that have a specific linkage with health outcomes (i.e. target public ‘bads’, such as alcohol and tobacco, fast food) and allocate the extra revenue to the major impacted sector - the health system;
3. Introduce a financial transactions tax (FTT) at 0.05%, with the funding raised transparently directed to the provision of health services;

4. The Commonwealth revisit aspects of the Henry Review, and specifically:
   a. Remove rebates and subsidies in the public health system; and
   b. Design and implement an effective and workable resources tax;

5. Increase the Medicare Levy, matching and tying it to the expenditure needs of the health sector (after agreed reforms);

6. Undertake a comprehensive review of the way that Health Services are managed and delivered to maximise efficiency and effectiveness while maintaining universal standards of health care service delivery.

As a case in point, the QNU believes that for reasons of equity and social justice Australia should introduce a FTT. In 2011, 1000 economists from 53 countries wrote an open letter to the G20 Finance Ministers meeting in Washington urging for a ‘Robin Hood’ tax to be introduced. They wrote:

> The financial crisis has shown us the dangers of unregulated finance, and the link between the financial sector and society has been broken. It is time to fix this link and for the financial sector to give something back to society. Even at very low rates of 0.05% or less, this tax could raise hundreds of billions of dollars annually and calm excessive speculation.

Taxation regimes around the world have not kept pace with development in markets, and it is clear that the time is right for the introduction of a financial transaction tax (Buckley, 2011).

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**Case study - Financial Transactions Tax**

In recent years the tax burden has increasingly fallen on families while corporate and financial taxes have been reduced ostensibly for reasons of efficiency and job creation.

This narrowing of the tax base has created a significant squeeze on government revenues and the capacity of governments to continue to provide high quality public services. It has also increased the cost of living for most people, seen a spreading of user pays charges for basic public services and a drive to hold down wage rates in key public service areas such as health, aged care and community services.

Following the 2014 federal budget the debate about increasing the GST and expanding its coverage again erupted.

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1 The FTT is commonly referred to as the ‘Robin Hood’ tax.
The QNU believes that instead of disadvantaging Australians again through tight budget measures, it is time the federal government took and redistributed a larger share from those involved in the billions of dollars in financial transactions, much of it speculative and of little productive value.

The financial transactions tax is a modest levy of up to 0.05% on the trading of specific financial instruments such as stocks, bonds, derivatives, futures, options and credit default swaps. It is sometimes referred to as the ‘Robin Hood Tax’.

Each time one of these financial products is traded, the levy applies. The tax targets the large profits made on risky, high-volume trading rather than the everyday transactions made by the general population.

High-volume trading, trades in collateral debt obligations and other risky financial instruments, including derivatives by hedge funds and major financial institutions were a key contributor to the global financial crisis in 2007. The financial transactions tax prompts the major banks and investment funds to pay a levy on trades that sometimes occur at a rate of thousands per second. A 0.05% fee equates to 5 cents in every $100 being traded.

As noted in previous federal budget papers (Australian Government 2011), expenditure on items subject to the GST is declining both as a share of consumption spending and as a share of GDP, in part because prices of goods and services not subject to the GST have been rising at a faster rate than prices of goods and services which are subject to the GST.

If these trends continue, it would seem inevitable that the federal government is going to have to increase the rate or base of the GST (or both), or that State and Territory Governments will have to increase the limited number of taxes under their control, in order to provide public services (Eslake, 2015).

We note the federal Treasurer, Joe Hockey, recently wrote to his shadow counterpart Chris Bowen rejecting Labor’s offer to thin capitalisation. Mr Hockey, who is developing his own version of Britain's Diverted Profits Tax, said Labor's policy was ‘not focused on areas where there is the greatest potential to address tax avoidance’. According to Mr Hockey, Labor’s policy would ‘deter investment and cost Australian jobs’ (Coorey, 2015).

Labor’s proposal is to change thin capitalisation rules to reduce the amount of debt against which companies can claim tax deductions in Australia. Thin Capitalisation Rules seek to prevent multinational enterprises from shifting profits out of Australia by funding their Australian operations with high levels of debt in order to reduce their Australian taxable
income. This is done by limiting debt-to-equity gearing ratios so that where those ratios exceed prescribed debt limits, tax deductions for interest expense and borrowing costs may be limited.

The types of business whose Australian operations are typically affected by thin capitalisation rules are businesses like:

- Australian entities that operate internationally and some of their associates;
- Australian entities that are foreign controlled; and
- Foreign entities that operate in Australia (Timebase Online Research, 2015).

At present, companies can claim up to a 60 per cent debt-to-equity ratio for their Australian operations. Under Labor's policy, a company's tax deduction would be assessed on the debt-to-equity ratio of its entire global operation. For example, if a company averaged a debt-to-equity ratio across all its subsidiaries of 30 per cent, it could claim tax deductions only of that level in Australia.

In light of the expansive nature of this review, we ask the panel to consider the Labor proposal as another means of ensuring corporations pay their fair share of tax.

### Recommendations

The QNU recommends the federal government should:

- implement a financial transactions tax at rates of around 0.05% (5 cents for every $100 being traded);
- give further consideration to the thin-capitalisation proposal.

### The Need for Greater Transparency to Deter Tax Avoidance

Taxation is an area of government activity where conflicts of interest abound making reform of the sector not only complicated but politically risky. For example, the federal government has a potential conflict of interest between its role as investor in the Future Fund and its various tax havens designed to avoid paying tax in other countries and its role as the tax collector to finance the nation. The doctrine of ‘sovereign immunity’ whereby the state cannot commit a legal wrong and is thus immune from criminal prosecution is a valid

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2 The relevant legislation can be found in the Income Tax Assessment Act 1997 (Cth) at Part 4-5 Division 820 (Thin Capitalisation Rules).
argument, but one that fails to acknowledge that a sovereign state should adopt the highest standards of corporate behaviour so that others follow (West, 2014).

The actions of government and industry in respect to tax avoidance give scant regard to the average Australian tax payer who continues to fund the nation. Even more confronting is that the response by big business to fix the nation’s debt is to cut real wages and conditions for workers and increase the Goods and Services Tax (GST).

If corporations and business can legitimately minimise their taxation payments then there is no reason why they would voluntarily offer to pay more. The taxation regime for corporations needs to be transparent, consistent and enforced. This includes increased transparency on the purpose and function of subsidiaries of multi-national corporations in secrecy jurisdictions and greater reporting of revenue, profits, staff levels and taxes paid in each tax jurisdiction. However, we note that rather than seek a fairer taxation system where multinational corporations pay a fair share of tax (the same as their own employees), big business and this federal government advocate cuts real wages and/or increasing the GST.

United Voice, a trade union covering a range of industries and occupations and the Tax Justice Network Australia recently released a report on the tax practices of Australia’s 200 largest Australian Stock Exchange-listed companies (the ASX 200). The report examined effective corporate tax rates over the last decade. This was the first comprehensive review of long-term corporate tax in Australia.

Using publicly available data, this study found that overall, the effective tax rate of ASX 200 companies over the last decade is 23%, below the statutory rate of 30%. If the ASX 200 companies had paid at the statutory rate it would have produced an additional $8.4 billion in annual revenues. Within the ASX 200 companies:

- nearly one third have an average effective tax rate of 10% or less;
- 57% disclose having subsidiaries in secrecy jurisdictions; and
- 60% report debt levels in excess of 75%, which may artificially reduce taxable profits.

The practices of Australian multinationals can have global implications. The amount of tax revenue lost in developing countries due to multinational corporate tax avoidance far exceeds all global spending on foreign aid.

It therefore makes sense for the Australian government to change domestic laws to mandate transparency and disclosure and increase enforcement so that corporations are accountable for paying a fairer share of tax.
The report recognises there are valid business reasons to have subsidiaries in certain secrecy jurisdictions, such as Singapore or Hong Kong, where business may be conducted. Nonetheless, ASX 200 companies have hundreds of subsidiaries registered in secrecy jurisdictions. ASX 200 companies should therefore increase their transparency and provide valid reasons why they have located these subsidiaries in secrecy jurisdictions rather than others. Choosing to set up companies in a secrecy jurisdiction can reward those jurisdictions for maintaining laws that facilitate tax evasion, money laundering and tax avoidance. Using secrecy jurisdictions can also undermine corporate transparency and accountability more broadly (United Voice & Australian Tax Justice Network, 2014).

The report also notes the present limitations of disclosure amongst ASX 200 companies, which makes genuine comparisons across all companies difficult. Some companies maintain greater levels of transparency and report the vast majority of their subsidiaries, including those registered in secrecy jurisdictions. Many other companies, however, choose only to disclose a list of ‘principal subsidiaries’ that are deemed of material importance. The lack of standardised transparency across the ASX 200 may obscure the corporate tax practices of some of Australia’s largest companies (United Voice & Australian Tax Justice Network, 2014).

**Recommendations**

The QNU supports the recommendations of United Voice and the Tax Justice Network that the Australian Government should:

- require large corporations to provide more public disclosure and transparency;
- increase fines for tax evasion and extend laws to effectively cover the full range of corporate tax avoidance strategies;
- eliminate or restrict the use of stapled securities for tax arbitrage, according to global norms;
- ensure that the Australian Tax Office is adequately funded and staffed;
- support the OECD’s Action Plan on Base Erosion and Profit Shifting and pressure secrecy jurisdictions to end their status as such through effective cooperation with other governments to combat tax evasion, tax avoidance and money laundering;
- support the automatic exchange of information on tax matters between tax authorities of different countries, with appropriate safeguards, and follow through on its commitment to implement automatic exchange of information on tax matters into Australian law;
- require greater transparency from multinational corporations, including country-by-country reporting. Consolidated annual reports should include revenues, profits, staffing levels and taxes paid in each country in which they operate or have subsidiaries.
Opportunities to Collaborate Internationally

In November, 2014, leaders of many of the world’s largest economies met for the G20 Leaders’ Summit. These leaders resolved to finish in 2015 work on modernising international tax rules to address the issue of companies shifting profits and reducing government tax bases. Taxation is at the core of countries' sovereignty, but in recent years, multinational companies have avoided taxation in their home countries by pushing activities abroad to low or no tax jurisdictions.

Unfortunately, developing countries that rely heavily on corporate tax and are the hardest hit by avoidance are not directly represented in this forum.

In particular, the G20 discussed measures to combat Base Erosion and Profit Shifting (BEPS) by multinational corporations. BEPS schemes can be very complex but they have a simple aim - companies shift profits across borders to low or no-tax jurisdictions to avoid paying higher tax rates in the country where they make a profit. A number of multinational corporations have been accused of using these methods which are permissible within existing national laws.

In September, 2014, G20 finance ministers met in Cairns and committed to finalising the OECD’s 15 point Action Plan to counter BEPS by 2015. The OECD plan identifies a series of domestic and international actions to address the problem and sets timelines for the implementation (OECD, 2014). The Action Plan aims to provide governments with global solutions for addressing BEPS to create a more progressive international tax system that requires multinationals to pay their fair share of tax.

The BEPS process has led to positive outcomes, including for developing countries. In a big step forward for international tax transparency, in Cairns finance ministers agreed to a template for country-by-country reporting, which would see multinationals disclose sales, profits and taxes paid in all jurisdictions in their audited annual reports and tax returns.

The QNU supports these measures to increase transparency and disclosure.

Not for Profit (NFP) Organisations

NFP organisations play an important and intrinsic role in Australian society. These organisations are diverse, providing their members, clients and the general community with a range of services, including welfare, education, religion, health, sport and culture. Unions are unique not-for-profit, member based organisations that have recently been subject to extensive additional regulatory requirements, particularly under Queensland law. In recognition of the NFP sector’s contribution to the Australian community, it has been a
longstanding policy of successive governments to provide support to the sector in the form of tax concessions (Australian Government, 2015).

Notwithstanding this commitment, the discussion paper (p. 126) now appears to question the rationale for eligibility of income tax exempt status for NFP organisations such as employee or employer associations and other social clubs. Although an income tax exemption does not pose as many concerns regarding competitive advantage any retained earnings must ultimately be used to further their purposes.

The two largest groups of tax concessions involve exemptions from paying fringe benefits tax (FBT) for public benevolent institutions (PBIs), health promotion charities (HPCs), public hospitals, non-profit hospitals, and public ambulance services; and income tax deductions for making gifts to deductible gift recipients (DGRs). According to the discussion paper, the amount of revenue forgone from these concessions has been increasing, particularly the FBT exemptions (Australian Government, 2015, p. 124). We note the federal budget continues to pursue a funding model for health that will see states and territories $57 billion worse off over 10 years – or $11.8 billion for Queensland. In addition, the budget paves the way for a further $1 billion in health cuts by ‘rationalising and streamlining’ many vital programs.

In an environment where commonwealth health funding continues to be removed, mechanisms such as FBT exemptions are important mechanisms for attracting and retaining staff in health services and to compensate this sector for their efforts in maintaining social cohesion and the common good. NFP tax concessions may represent forgone revenue, however the social benefit these organisations deliver cannot be measured solely in monetary terms. We accept there are individuals who may be dishonest in their FBT claims and we welcome the 2015 budget measures to address this.

We understand from recent reports that the review may consider introducing a bank deposits tax. The deposits tax, which was included in the former Labor government’s budget planning, remains a live revenue item in this government’s accounts, but the government made no mention of this tax in the 2015-6 budget.

Reports have suggested the tax would earn at least $500 million a year from financial institutions who hold more than $1.6 trillion in deposits on behalf of personal and business customers. Not only would this tax be detrimental to NFPs, but the broader community as well because it would discourage saving.

Credit unions and pensioner groups want the government to abandon the tax and are disappointed the government is refusing to disclose information on when it will be introduced.
**Recommendations**

The QNU recommends there should be no moves to:

- change current arrangements for NFP;
- introduce a bank deposits tax;
- withdraw exemptions from paying FBT for PBIs, HPCs, public hospitals, non-profit hospitals, and public ambulance services; and income tax deductions for making gifts to DGRs.

**Superannuation for women**

As a significantly feminised profession, nurses and midwives are particularly interested in measures to improve the long-term accumulation of their superannuation funds. To this end we seek tax or other incentives for women to build their super.

The Henry review (2013) found people’s choices about participating in the workforce are affected by both taxes and transfer payments. International and Australian research has highlighted the different ways in which tax and transfer rules impact on the workforce participation of men, single and partnered women and women with children. In particular, partnered mothers and single parents are quite sensitive to the impact of taxes, transfer withdrawal rates and the level of transfer payments in deciding whether to undertake paid work.

A recent OECD report (2015) indicates that in the past 15 years, increased women’s employment and a lower pay gap between men and women contributed to countering the increase in household income inequality. In Australia, the bulk of the increase in market income inequality in the past 15 years is due to the widening of the earnings dispersion. This was owing to a large decline in hours worked for low-paid men and a larger increase in hourly wages of highly-paid men. For women, the opposite occurred. High paid women saw a decline in hours worked while there was a large increase in hourly wages for low-paid women.

The share of non-standard workers, comprising self-employed, part-timers, casual workers and those on fixed-term contracts, is high at around 44%, compared with the OECD average of one-third. But non-standard workers do not face substantial wage penalties once other demographic and job characteristics are taken into account. In terms of hourly wages, part-time workers have actually higher rates than full-timers with similar characteristics.
Temporary or casual jobs tend to be stepping stones in Australia and increase the chances of acquiring a more stable job. However, this is not always the case for part-time workers. They are sometimes discouraged from increasing their working hours, as more than half of their additional earnings will be taxed away, mainly in the form of higher income taxes and lower family benefits (OECD, 2015).

Although participation may be closing women in Australia are still strongly positioned as the secondary (or marginal) breadwinner with prime responsibilities for care. Equitable economic participation is significantly impacted as a result. This is demonstrated by findings, which show significant wage penalties accruing to part-time workers and lower overall lifetime earnings that have ongoing effects into retirement through reduced occupational superannuation accumulations (Preston & Barns, 2009).

The effect of the persistent gender wage gap and the impact of having children and caring for family on women’s capacity to accumulate lifetime savings. While decisions to have a family and to take on the role of primary carer, whether for children or aging parents, are made by individuals, such ‘choices’ are shaped by biology, as well as social and economic factors that are stubbornly resistant to change (Cameron, 2015).

The following hypothetical case study (Cameron, 2015) demonstrates how the life course and work patterns of a nurse will impact on her superannuation earnings. It shows that, compared with a male of the same age earning the average wage, the superannuation balance for these four examples ranges between 44 per cent and 87.6 per cent of the benchmark lifetime super balance of the average male. This analysis indicates that the current superannuation scheme effectively takes the gendered income inequalities that exist during people's working lives and magnifies them in retirement.

**Case study: Nadine, nurse, three children**

Nadine begins work at the age of 22 as a first year nurse graduate at a large public hospital in Melbourne. She works for eight years full time until, at the age of 30, she leaves work for the birth of her first child. Nadine and her partner have three children over a five-year period. She does not return to the paid workforce until her youngest child is in part time pre-school. Nadine’s husband works full time throughout this period. This is a joint decision because he is able to earn a higher salary.

While her children are in primary school Nadine works part-time in a relatively junior nursing position. She is 44 when she returns to full time employment, but eleven years later she reduces to part time work so that she can provide more support for her ageing parents. Nadine continues to work part time until her retirement in 2057 aged 67.
By her retirement Nadine’s lifetime earnings are $2,467,229. This equates to 69 per cent of the lifetime earnings of the average male – or $1,101,157 less. Nadine has not made additional contributions to her superannuation and, during the 14 years when she was in and out of the paid workforce and working part time, she made virtually none. Nadine ends up with a superannuation balance of $642,037. This is $538,980 less than a man of the same age on the average wage.

The arguments for closing the gender gap in wages and superannuation have a strong economic, social and equity basis. It is well established that increasing the participation of women in the workforce is beneficial to workplace productivity and the economy broadly. Yet workplace structures and policy approaches continue to prioritise the ‘male breadwinner’ model as the ideal, to the entrenched disadvantage of women. The financial contribution of women’s unpaid care for children and other family members to the national economy is substantial and largely invisible, and this contribution comes at the cost of individual financial security over their lifetimes (Cameron, 2015).

While the stated objective of compulsory superannuation and the associated tax concessions is to improve retirement incomes for all Australians, in fact it does nothing of the sort. Those who do not engage in paid work or those who earn less than $450 per month are not required to make any superannuation contributions and, in turn, receive no taxpayer assistance to boost their retirement income (Cameron, 2015).

The QNU therefore welcomes tax or other initiatives to close the gender gap in retirement savings. To this end we support the ACTU congress draft policy (2015) (see recommendation below).

**Recommendation**

The QNU recommends the review:

- abandons the $450 per month earnings threshold for superannuation contributions;
- considers more effective measures for means testing and targeting transfer payments;
- recommends employers and the government pay superannuation for periods of paid parental leave;
- adopts the ACTU (2015) policy in respect to superannuation which reads in part:
In recognition of the fact that average super balances for women are lower than those for men ... endorse the payment of an extra 2% superannuation for woman workers and other initiatives to redress the fact women do not receive equal pay, are more likely to have career breaks and, on average live longer than men.

The performance and capability of the Australian Taxation Office (ATO) in the wake of budget cuts to staffing numbers.

The ATO’s operations are complex and diverse, managing over a billion direct transactions, collecting revenue in excess of $300 billion per annum and processing around 16.5 million tax returns (Australian Tax Office, 2014). The 2014-15 federal budget announced savings of $142.8 million over three years from 2015–16 by reducing the ATO’s resourcing (Australian Treasury, 2014). The ATO will also be subject to an efficiency dividend by bringing forward staff reductions that had been already planned in response to efficiency dividends and decisions of the previous government. The Government now plans to bring forward the reduction of staffing numbers that were due to occur in 2015–16 (1,600). A total reduction of 4,700 staff is planned between 2013–14 and 2017–18 (Australian Treasury, 2014).

During 2014, the ATO cut around 3000 positions, approximately 12% of its overall workforce with more to come as forecast. According to the Commissioner’s 2014 Annual Report the cost of collection is about $0.91 cents per $100 of tax bought in. In other words for every dollar spent on a tax officer in salary and on-costs more than $100 is collected.

To save $300 or $400 million in wage costs over time the Commissioner of Taxation is possibly putting at risk one-eighth of the revenue – about $40 billion. Even if the marginal rate of return is ten to one rather than one hundred to one that is still a $4 billion gap in revenue for a saving of $400 million (Passant, 2014).

The ATO runs the systems that make it possible for 96 percent of voluntary taxpayers to pay their taxes. Without a properly staffed ATO staff that voluntary flow would not continue and any job cuts would not only affect those pursuing tax avoiders but also those servicing complying taxpayers and the systems that make compliance easy for so many. The only way the job cuts could be cost effective is if those ATO staff leaving collected less revenue than they are paid in salary plus on-costs and that is not the case (Passant, 2014).

Staff cuts will do nothing to address major systemic issues like BEP and sophisticated offshore tax avoidance arrangements.
Rather than cutting 3000 staff, perhaps the ATO could have redeployed some of them to collect taxes specifically from those who avoid tax with such expertise. Instead, the federal government continues to rein in spending on health, education, social welfare, foreign aid etc. while making limited attempts to enforce proper payment of taxes from those sections of the economy that can afford it. Weakening the capacity of the ATO to effectively tax big business will empower these organisations even more at the expense of the ordinary Australian.

The role and performance of the Australian Securities Investments Commission (ASIC) in working with corporations and supporting the ATO to protect public revenue.

ASIC, the Australian Prudential Regulation Authority (APRA) and the Australian Competition and Consumer Commission (ACCC) are the principal regulatory agencies that implement government policy on corporate regulation. The Australian Transaction Reports and Analysis Centre (AUSTRAC) is responsible for regulating anti-money laundering and counter terrorism financing (AML/CTF) under the Attorney General’s Department.

ASIC’s regulatory responsibilities include ensuring market integrity in the financial services sector; supervising investment management; capital markets, corporations and their auditors and liquidators; and overseeing market operators. These duties form part of its broader mandate to supervise, facilitate and improve the performance of the financial system, and administer Commonwealth laws regarding corporations and businesses (Sanyal, 2014).

In the 2014–15 Budget, the federal government announced that funding for ASIC’s operations would be reduced by $120.1 million over five years in order to match their new policy priorities (Australian Treasury, 2014).

Following some financial collapses in recent years and, in particular, instances of deceptive conduct in financial advice services, the Australian Parliament initiated an inquiry in 2013 to scrutinise ASIC’s performance. The Senate Economics References Committee has already conducted five public hearings in 2014 to receive community feedback.

According to some, ASIC has several of the broadest responsibilities of any corporate regulator in the world. That includes major investigations, like the probe that led to the recent arrest of a former Bureau of Statistics employee and an ex-NAB trader over alleged insider trading (Nolan, 2014).
A reduction in operational funding may force ASIC to be more selective in the matters it investigates and then ultimately prosecutes. Its decisions could, in the long term, have an impact on confidence in capital markets if there is a perception that the corporate regulator is not adequately resourced to enforce the law competently.

As with the cuts to the ATO funding, the implications for reduced funding to ASIC will also impact on its ability to protect public revenue. The federal government clearly has a preference for self-regulation rather than a statutory regulatory authority. However, according to Professor A. J. Brown (cited in Nolan, 2014) Australia’s finance sector already has a high level of self-regulation. It remains to be seen whether the cutbacks in ASIC are ideologically driven or a necessary reduction in the operating costs of government.

**Recommendation**

The QNU recommends the review:

- examines the role of ASIC in relation to that of APRA to determine whether there is duplication of effort.

**Conclusion**

The QNU advocates for a fair taxation system, one where Australians, including corporations, pay their share. In our view, a financial transactions tax is a straightforward initiative that would increase revenue for essential services like health and education, rather than continuing to pursue exorbitant university fees. Governments on both sides must listen to their constituents above and beyond big business interests. While some corporations avoid paying their reasonable share of tax yet simultaneously seek greater ‘productivity’ from the workforce, it is the everyday Australian who continues to prop up the economy in their capacity as workers and tax payers.
References


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