



**St Vincent de Paul Society**  
NATIONAL COUNCIL  
*good works*

ABN: 50 748 098 845

National Council of Australia Inc  
22 Thesiger Court  
Deakin ACT 2600  
PO Box 243  
Deakin West ACT 2600  
Telephone: (02) 6202 1200  
Facsimile: (02) 6285 0159  
Website: [www.vinnies.org.au](http://www.vinnies.org.au)  
Donation Hotline: 13 18 12

Tax White Paper Task Force  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Submitted online

1 June 2015

## Submission on *Re:Think – Tax Discussion Paper 2015*

---

## Contents

Executive Summary.....	3
1. Principles.....	3
2. Expenditure.....	4
3. Taxation.....	5
Fairness .....	5
Equality .....	7
Human rights.....	8
Conclusion.....	9

The St Vincent de Paul Society (the Society) is a respected lay Catholic charitable organisation operating in 149 countries around the world. Our work in Australia covers every state and territory, and is carried out by more than 65,000 members, volunteers, and employees. Our people are deeply committed to social assistance and social justice, and our mission is to provide help for those who are marginalised by structures of exclusion. Our programs assist millions of Australians each year, including people living with mental illness, people who are homeless and insecurely housed, migrants and refugees, and people experiencing poverty.

In March 2015, the government released *Re:Think – Tax Discussion Paper*.<sup>1</sup> The paper includes a call for submissions from the public. The Society has consulted nationally, and collected feedback from our members, volunteers, and employees all over the country. We welcome the opportunity to make this contribution, and are happy to provide more written or oral evidence on any point.

## Executive Summary

We believe that values such as fairness, equality, and human rights should guide our thinking about taxation. These values lead to some expectations about the role of government and expenditure (for example, providing a decent standard of basic services to everyone), which in turn informs what our revenue and redistribution system will need to look like.

Based on these values, we believe that taxation must be progressive and fair, with loopholes for the rich closed off. People should pay according to their means, and be assured that they are able to have access to all that they need in order to enjoy a decent standard of life. Finally, Not-For-Profits should continue to be supported by the tax system given the essential work that many do.

### 1. Principles

Preceding any discussion about Australia's system of taxation, the Society believes we must build a picture of what the revenue base is for – that is, what type of country do we want to live in. Only when we have had an informed open debate about the role of government, what level of services should be free and public, and the relationship between government, corporations, and civil society, can we know what level of taxation will be necessary to support these principles.

There is much talk of a strong economy,<sup>2</sup> (**question 3**) and lower taxes.<sup>3</sup> However, these are not virtues unto themselves.<sup>4</sup> There is no point having strong growth and minimal taxation

---

<sup>1</sup> At [http://bettertax.gov.au/files/2015/03/TWP\\_combined-online.pdf](http://bettertax.gov.au/files/2015/03/TWP_combined-online.pdf) ('*Re:Think*').

<sup>2</sup> Joe Hockey, Media Release, <http://jbh.ministers.treasury.gov.au/media-release/069-2014/>; *Re:Think*, 9.

<sup>3</sup> Media Release, <http://jbh.ministers.treasury.gov.au/media-release/069-2014/>; *Re:Think*, 14.

<sup>4</sup> See, for example, Federation White Paper, *Issues Paper 1: A Federation for Our Future* (2014) 16.

if the lives of citizens become worse, if we see our class structure calcifying, and our attitude towards citizens from less fortunate countries becoming more callous. The common good comprises far more than people working long hours and paying for their own essential services wherever they can. Instead, we have a vision of a nation that is prosperous, but compassionate; where work is balanced with family time; and where postcode doesn't determine destiny.

As we argued in our Pre-Budget Submission,<sup>5</sup> the high-level principles that should define us include fairness, equality, dignity, and human rights. The relationship between institutions in society must recognise that government is directly elected by the people to work for the common good, and as the only entity with coercive revenue-raising powers it has the concomitant responsibility to ensure that the above principles are fulfilled in key areas of health, education, infrastructure, and the social safety net.<sup>6</sup>

## 2. Expenditure

Having determined the principles that we believe should guide us as a nation, the question then becomes what level and type of government expenditure is required to ensure that these high-level values are supported through government policy and programs.

As we saw in the public's reaction to the 2014/15 Budget, **fairness** is a core Australian value. Our social security system must provide enough for a decent standard of living for all those who aren't receiving adequate income from paid work, while meaningfully assisting people to participate at all stages of life – children, young people, parents, those living with disability, and older Australians.

Another value we aspire to is **equality**. This principle must see us recognising that people in developing countries are our equals, and increasing the amount of aid we provide to meet the international standard of 0.7%.<sup>7</sup> Equality must see us address at its root the gender inequality that leads to the crime of domestic violence, and the locational, housing and income inequality that leads to children from poorer backgrounds doing worse in education.

**Dignity** is another key value that the Society supports, as it is seen to underlie much Catholic social teaching,<sup>8</sup> as well as the philosophy of rights.<sup>9</sup> Respecting our shared human

---

<sup>5</sup> St Vincent de Paul, *Pre-Budget Submission 2015-2016* (February 2015) at [https://www.vinnies.org.au/icms\\_docs/210151\\_2015%E2%80%932016\\_Pre-Budget\\_Submission.pdf](https://www.vinnies.org.au/icms_docs/210151_2015%E2%80%932016_Pre-Budget_Submission.pdf).

<sup>6</sup> See *Re:Think*, 14.

<sup>7</sup> See, for example, Rik Sutherland, 'Foreign Aid – Aiding Whom?' *Social Policy Connections* (December 2014) at <http://www.socialpolicyconnections.com.au/?p=8120>.

<sup>8</sup> See, for example, Pope Francis, *Evangelii Gaudium* (2013) at [http://w2.vatican.va/content/francesco/en/apost\\_exhortations/documents/papa-francesco\\_esortazione-ap\\_20131124\\_evangelii-gaudium.html](http://w2.vatican.va/content/francesco/en/apost_exhortations/documents/papa-francesco_esortazione-ap_20131124_evangelii-gaudium.html).

<sup>9</sup> See, for example, *Universal Declaration of Human Rights* (1948) at <http://www.un.org/en/documents/udhr/>.

dignity means that every Australian has somewhere safe and secure to sleep at night, and that our health services do not stigmatise the mentally ill. It also means that people have the freedom to decide how to spend their income without paternalistic management by government.

Finally, Australia's longstanding commitment to **human rights** is currently under question internationally,<sup>10</sup> as we fall grossly short in our treatment of the First Australians and asylum seekers. We have a legal and moral duty to work harder to create an Australia where everyone's human rights are fully protected, fulfilled, and promoted.

Of course, there are a range of **other values** that will feed into the type of Australia we want. Allowing people to be engaged in work, and not punishing them for the structural problems that exclude them from jobs, is essential to a productive economy. In the same vein, however, we must value and protect the importance of unpaid work such as caring and volunteering. The value of democracy means that we should all be able to participate in government, with strong speech rights for the most marginalised. We believe that the role of government is central in that government is the means by which we can achieve together what we cannot achieve individually for the sake of the common good. Increasing prosperity and growth are important, so that we can continue to raise everyone's standards of living. Diversity and celebration of difference are also core Australian values, which should be reflected in strong non-discrimination and affirmative action policies. Finally, the government has recognised that sustainability of measures is also a key feature of any reform: short-termism shouldn't see costs blow out in the future, be it cutting funds to social services today, or failing to properly tax companies built on industries that are not sustainable over the long-term.

Clearly, the taxation discussion is only a small part of a much larger picture. That picture will balance our values as a nation and outline which institutions are responsible for working towards them. This picture will then inform what our future tax system should look like (**question 1**).

### 3. Taxation

Given the importance of the core values of fairness, equality, and human rights to Australia, we believe that these principles should shape not only government's expenditure but also taxation. In that spirit, we now set out how these might apply to our current tax system.

#### Fairness

Fairness is an important Australian value, and one of the bases of many codes of morality.<sup>11</sup> If we do think that fairness is important (**question 5**), then we need a progressive taxation

---

<sup>10</sup> See, for example, United Nations Association of Australia, *Australia and the UN: Report Card 2013* at <http://www.unaa.org.au/Australia%20and%20UN%20Report%20Card%202013.pdf>.

<sup>11</sup> See, for example, Jonathan Haidt, *The Righteous Mind* (2012, Pantheon).

system that taxes according to ability to pay, and redistributes according to need. We need to strengthen the fairest taxes, like income tax (**question 6**): this will help combat the income inequality that has been on the rise in this country for thirty years.<sup>12</sup> Fair measures therefore include greater taxation on the income and assets of wealthy Australians, and less tax avoidance. We have argued before that the income tax cuts of the last 15 years should also be reversed.<sup>13</sup> Going further, we should consider increasing income taxation on the very wealthy.<sup>14</sup>

It is now also widely acknowledged that a range of tax mechanisms enable wealthy Australians to avoid paying large amounts of personal tax, including income from capital gains and private trusts, churning through superannuation, and negatively gearing assets (**questions 12, 13**). Superannuation concessions, for example, cost the government around 20% of its revenue from income tax – around \$24.6 billion in 2009.<sup>15</sup> These tax concessions overwhelmingly go to the wealthy: the top 5% of earners receive 37% of the concessions, while part-time workers (including many single parents) receive no benefit.<sup>16</sup> It therefore makes sense to consider more stringent inclusion of superannuation contributions as taxable income (**question 22**).

The story is similar with negative gearing and capital gains rates for property (**question 19, 21**), which lose the Federal government \$7.7 billion each year, of which the top 10% of income earners in Australia take home more than half the benefit.<sup>17</sup> Not only is this unfair, as it enables those who are already wealthy to avoid paying tax, but it fuels speculative investment in the property market. As we have consistently argued, if these benefits are to be continued, they must be restricted only to investments in new affordable housing.

Fairness also means a decent and enforceable level of corporate taxation (**question 24**): there is now significant evidence that many companies are paying a tax rate well below that which is legislated.<sup>18</sup> We support the Federal Budget 2015-2016's move to close tax loopholes for large multinationals, but believe this must go further, including taxing super-

---

<sup>12</sup> See, for example, St Vincent de Paul, *Two Australias: A Report on Poverty in the Land of Plenty* (2013) at [https://www.vinnies.org.au/page/Publications/National/Articles\\_Reports\\_Speeches/Two\\_Australias\\_-\\_a\\_report\\_on\\_poverty\\_in\\_the\\_land\\_of\\_plenty/](https://www.vinnies.org.au/page/Publications/National/Articles_Reports_Speeches/Two_Australias_-_a_report_on_poverty_in_the_land_of_plenty/).

<sup>13</sup> St Vincent de Paul, above n 5.

<sup>14</sup> See, for example, The Australia Institute, *Closing Tax Loopholes: A Buffett Rule for Australia* (2015) at <http://www.tai.org.au/content/closing-tax-loopholes-buffett-rule-australia>.

<sup>15</sup> The Australia Institute, Research Paper 61, 1 at [http://www.tai.org.au/system/files/force/super\\_tax\\_concessions\\_final\\_7.pdf](http://www.tai.org.au/system/files/force/super_tax_concessions_final_7.pdf).

<sup>16</sup> Ibid, 2.

<sup>17</sup> See NATSEM, in The Australia Institute, *Top Gears* (2015) at <http://www.tai.org.au/content/top-gears>.

<sup>18</sup> See, for example, current Senate Inquiry into this, at [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Economics/Corporate\\_Tax\\_Avoidance/Submissions](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Corporate_Tax_Avoidance/Submissions).

profits at a higher rate.<sup>19</sup> We await with interest the Senate Standing Committee on Economics' final report on this issue later this year.

## Equality

Equality is central to fairness, but is also a stand-alone principle that informs much law and policy in progressive, egalitarian democracies. Equality is not only good for people, but for the economy: recent research shows that the rise in inequality in the OECD has reduced growth by nearly 5% over the last 20 years.<sup>20</sup>

If we think substantive equality of outcome is important (rather than just formal equality of process), then increases in taxation that affect all Australians – such as raising the GST, or making people pay more to see doctors – need to be avoided in favour of progressive taxation measures. Where, however, we have such measures in place, we need to ensure that those least able to afford them are appropriately protected and compensated. For example, to ensure that the poorest weren't inequitably impacted by the introduction of the GST, the Society in the 1990s advocated successfully for food to be excluded. We believe that the GST must continue to exclude the most essential goods and services. We also continue to argue that there is an urgent need to increase government payments such as Newstart and Youth Allowance and to change their method of indexation so that they are adequate in the face of increases in the cost of living.

This position reflects the well-documented fact that low-income households spend proportionally more on certain items than high-income households, including food, children's education, public transport, housing, health, and utility bills.<sup>21</sup> For example, fuel and power make up 4% of the poorest fifth of the population's expenses, but only 2% of the richest fifth's;<sup>22</sup> when those costs go up, they hit the poor harder than the rich. For these reasons, any blanket increases to GST or other taxes on goods and services must be carefully tailored so as not to disadvantage the poorest Australians. On the other hand, it would be equitable to raise the GST only on luxury goods and services predominantly used by wealthy Australians, such as financial services, and higher education, or on goods that do social harm, such as alcohol and cigarettes (**question 54**).

---

<sup>19</sup> St Vincent de Paul, above n 5.

<sup>20</sup> OECD, *Why Less Inequality Benefits All* (May 2015) 17 at [http://www.keepeek.com/Digital-Asset-Management/oecd/employment/in-it-together-why-less-inequality-benefits-all\\_9789264235120-en](http://www.keepeek.com/Digital-Asset-Management/oecd/employment/in-it-together-why-less-inequality-benefits-all_9789264235120-en).

<sup>21</sup> St Vincent de Paul Victoria, *The Relative Price Index* (August 2013) at [http://www.vinnies.org.au/content/Document/RPI\\_Summary\\_Report\\_Aus\\_Dec\\_2012%20\(21%20August%202013\).pdf](http://www.vinnies.org.au/content/Document/RPI_Summary_Report_Aus_Dec_2012%20(21%20August%202013).pdf).

<sup>22</sup> Ian McAuley, *What Are We Complaining About? An Analysis of Cost of Living Pressures*, Centre for Policy Development Occasional Papers, 18 at [cpd.org.au/wp-content/uploads/2012/05/What-are-we-complaining-about-CPD-formatting.pdf](http://cpd.org.au/wp-content/uploads/2012/05/What-are-we-complaining-about-CPD-formatting.pdf).

## Human rights

One powerful way that the taxation system can support human rights is by providing incentives for financial activities that contribute to essential social services in Australia (**question 47**). This means not-for-profits that provide key functions should continue to receive charitable status, deductible gift recipient status, and fringe benefits tax exemptions (**question 7, 16, 17**). This positive treatment by the tax system is absolutely essential to many charities receiving donations from the public,<sup>23</sup> and being able to retain staff who would otherwise find better-paid work in the private sector, as well as creating an efficiency for government as it creates less churn of money through the tax and transfer system.<sup>24</sup> Removing these concessions for charities that provide essential services will impact negatively on service delivery, and thus see more reliance on government services.

We have consistently argued that not all NFPs are the same, and we support treating different types of NFPs under different tax rules (**question 50**). Our members have pointed out that the types of organisations that receive NFP status and associated tax breaks are many and varied, with only some (for example, the 13% of NFPs that provide social services)<sup>25</sup> providing services that support people's basic human rights when they are most in need. We believe that government has a special duty to support the promotion of the common good through core human rights to housing, health, and an adequate standard of living.<sup>26</sup>

The strong independence of NGOs also supports another principle, which is that NFPs play an important supplementary role to government in Australian society. We are able to provide an impartial advocacy voice, essential to a thriving democracy. But as long as the core of NFPs is mission, not profits, we will need extra support (either funding, and/or tax exemptions) to continue to make ends meet.

Finally, in continuing to support human rights, any savings made through reform of NFP taxation should be returned to the sector.<sup>27</sup>

---

<sup>23</sup> For example, 70% of NFPs believe that their donation base would decline if donations were no longer tax deductible. BDO Australia, *Not-For-Profit Tax Concession Survey* (2013) at <http://www.bdo.com.au/resources/surveys/not-for-profit/bdo-not-for-profit-tax-concession-survey-2013>.

<sup>24</sup> Productivity Commission, *Contribution of the Not-for-profit Sector* (February 2010) 156, 157 at <http://www.pc.gov.au/inquiries/completed/not-for-profit>. See also Not-for-Profit Sector Tax Concession Working Group, *Fairer, Simpler and more Effective Tax Concessions* (May 2013) 3 at <http://www.treasury.gov.au/~media/Treasury/Access%20to%20Information/Disclosure%20Log/2014/1447/Downloads/PDF/NFP%20Sector%20WG%20Final%20Report.ashx>.

<sup>25</sup> *Re:Think*, 122.

<sup>26</sup> See, for example, Not-for-Profit Sector Tax Concession Working Group, above n 24, 4, 9, 12.

<sup>27</sup> *Ibid*, recommendation 22.



## Conclusion

It is our values that make Australia great, and it is our values that we must turn to when we consider how to reshape our country's taxation system. This submission has outlined some of the measures that can be taken to ensure that the system is fair, equitable, and supports human rights.

The Society is excited to be part of this broad debate about the type of country we want to live in. With Oliver Wendell Holmes, we maintain that "taxes are the price we pay for a civilised society". We look forward to continued engagement in the tax reform process, joining with the community, government, and business to create a better future for all Australians.