

Labor tax plans will reap \$390bn

David Uren, ASSOCIATE EDITOR, 12:00AM April 12, 2019

Labor's tax measures and its opposition to the Coalition's medium-term tax cuts give it a massive war chest of almost \$390 billion over the next decade, with spending commitments to date absorbing only a fraction.

Over the four-year budget period, Labor would raise \$44bn more in taxes than a Coalition government, with its spending plans reaching only \$16bn.

While Labor is going to the polls raising vastly more than it is spending, the Coalition's election strategy is based on its personal income tax plan, which will cost \$46bn over the next four years rising to \$302bn over the decade.

The tax plan announced by Bill Shorten in his budget reply, which is focused on low-income earners, costs a mere \$1bn over four years and an estimated \$2.5bn over the decade.

Labor has been providing basic costings for its policies as it releases them, but has not updated them since they were announced, in some cases three years ago, although the simple impact of inflation would have raised most revenue and costs.

LABOR'S NEW TAXES ...

(\$m)	4-year total	10-year total
Limit negative gearing to new housing	2690	19,850
Halve capital gains discount	800	12,600
Thin capitalisation rules for multinationals	1100	4600
\$3000 cap on tax accounting deductions	400	1520
Lift top marginal tax rate by 2% until 2024-5	4600	6300
Minimum tax on trusts	5300	22,000
High-income super limits	4500	32,590
Stop cash refunds of franking credits	11,400	59,000
Reverse post 2022-3 tax cuts	14,000	230,000*
TOTAL	43,740	388,460

... AND MAJOR BUDGET COMMITMENTS

(\$m)	4-year total	10-year total
Personal low-income tax offsets	-1050	-2500*
Additional Gonski funding for schools	-3300	-14,000
Business instant asset write-off	-3360	-10,300
Preschool funding	-1750	-10,000
TAFE funding	-2111	-9000*
Affordable housing	-100	-6600
Hospitals	-764	-2814
Cancer	-2300	-10,000*
Higher education – uncap places	-2000	-9000*
Battery subsidy	-200	–
Women’s superannuation	-400	-2500*
Infrastructure	–	-7700
TOTAL	-16,285	-71,714
NET:	36,055	316,746

* Includes estimates by *The Australian*. Negative gearing includes updated four-year but original 10-year PBO figures.

Based on published costings, the major tax increases would raise \$31bn over four years and \$158bn over 10 years. Its decision to reverse the second and third stages of the Coalition’s tax policy delivers it a further \$14bn over four years and \$230bn over 10.

Labor has not released a long-term tax policy, with Treasury spokesman Chris Bowen arguing the budget position is too uncertain to make long-term commitments. Mr Bowen has said Labor’s 2 per cent surcharge on the top marginal tax rate will come off in 2024.

Over the budget period, the biggest money-spinner for a Labor government would be the policy to stop cash refunds of dividend franking credits, which was estimated to raise \$11.4bn, while the policy to impose a minimum tax rate on family trusts would raise \$5.3bn.

Mr Bowen this week provided an updated estimate for the negative gearing policy, which would raise \$2.7bn over the budget period. He did not provide a 10-year estimate, with the last published estimate highlighting the cumulative nature of the measure, delivering a \$20bn return.

Labor's biggest budget outlay, so far, has been its tax break for business investment, which was offered to all businesses after the party opposed the Coalition's former policy of tax cuts for large businesses. It will cost \$3.4bn over the budget period.

Labor has so far committed a total of \$16.3bn over the budget period to spending initiatives, mostly in the health and education portfolios. This includes \$32.3bn for public schools, \$1.8bn for preschools, \$2.1bn for TAFE and \$2.3bn for cancer treatment.

This does not include Labor's big climate change commitments of \$10bn, to the Clean Energy Finance Corporation, and \$5bn to a fund to upgrade electricity infrastructure.

These would not be treated as an expense in the budget.

COALITION TAX MEASURES

(\$m)	4-year total	10-year total
Personal tax plan	-46,040	-302,900
Small business tax write-off	-400	–
Disability royal commission	-450	–
Banking royal commission	-400	–
Infrastructure	-5400	–
Christmas Island detention centre	-180	–
Climate solutions	-190	–
TOTAL	-53,060	-302,900

The Coalition is similarly making its \$2bn investment in climate change initiatives through a fund, while its \$1.4bn investment in the Snowy Hydro scheme is also not included in the budget calculations.

The other major election commitment in the budget was an increase in infrastructure spending, including a \$3bn fund to tackle urban congestion and

a series of road projects, including a \$1bn upgrade to the Princes Highway. Commitments total \$5.4bn over four years with much more over the longer term.

Labor's infrastructure spokesman Anthony Albanese has also made a series of major promises, including \$3bn towards Western Metro in Sydney, and \$800 million to Cross River Rail in Brisbane.