FOR RADICAL TAX

Laurie Aarons takes issue with Peter Groenewegen's views on tax reform as expressed in ALR 93, Spring 1985.

Peter Groenewegen may still yearn for Option C, buried despite his praise for it at the Tax Summit, but the labour movement and community groups are correct to regard its defeat as an important victory.

Option C depended upon a broad-based consumption tax which could only be regressive and it evaded the central issue of genuine tax reform, as Professor Groenewegen continues to do in his comments (ALR, Spring 1985).

That issue is to make the wealthy corporations and individuals pay a more equitable share of taxation than they now do, returning this share to at least the level of 1953/54. In that year, the wealthiest six percent of taxpayers paid 54 percent of income tax paid by individuals, and company tax provided a much larger share of government revenue than it does today.

Professor Groenewegen lectures "those who seek a major role for the public sector" on the need to grasp that this must mean a rising tax share of GDP, as though the only way is to make workers and the poor pay more through a consumption tax.

In fact, most of those opposing the consumption tax do seek a larger tax share of GDP while most of those favouring the consumption tax bitterly demand a lower tax share of GDP.

The professor found himself in strange company at the Summit, since only the big business councils, the National Farmers Federation, and some of Australia's most powerful corporations supported the BBCT (so long as it didn't apply to their "business"). The roll call of those for and against the consumption tax reads like a battle plan of the haves versus the have nots, and of those supporting and opposing the public sector.

The Communist Party's submission to the summit clearly stated that the first of three main aims of tax reform was:

1. To increase public revenue which should be used to restore full employment, improve the quality of life for wage-earners and the poor and meet pressing social needs.

The CPA submission spells this out in greater detail later. It also points clearly to where the extra revenue should be sought and obtained - from the corporations, including the multinationals, and from the obscenely wealthy taxpayers whose evasions have pushed the tax burden onto wage earners.

Professor Groenewegen has no patience with such quixotic ideas, describing them as Cargo Cults which cannot work. It is "wishful thinking" to talk of tapping the multinationals, he says, while "business in general" cannot be taxed more heavily without causing " disincentives to invest".

This is simply arguing in defence of the status quo, of the capitalist system and its effective state adjunct, the tax system as it now operates.

Groenewegen doesn't spell out what he means by "Cargo Cult", so it could be that he believes either there is no cargo, or that the cargo owners are so powerful that their rich possessions are taboo.

Surely not even an economics professor could believe that the wealthy don't possess huge "cargoes" and go to extreme lengths to evade tax on them. The truth is so massively clear: tax evasion by the rich is a way of life which helps explain the mushrooming of huge fortunes in recent years.

The Business Review Weekly of August 1985 lists 300 fortunes totalling over $10 billion between them, including Robert Holmes a'Court, whose personal fortune rose by $150 million last year, it says. Avoidance of tax contributes greatly: his Bell Group paid only $5.68 million in tax on its profits of $49.9 million for the five years 1979 to 1983.

Alusuisse is one multinational corporation which could afford to raise its tax contribution to the Australian government. This Swiss-owned aluminium corporation has paid precisely no tax at all on its profitable operations in this country.

Some may argue that these are merely exceptional cases which are not typical of either the corporations or the wealthy owner-controllers who run them. Alas, this cannot be sustained, as revealed by a Taxation office minute prepared for the working party which drafted the White Paper for the Tax Summit.

Obtained under the Freedom of Information Act, this minute summarises a random spot check done on 74 anonymous superwealthy individual "taxpayers" and on four of the richest Australians picked from the Business Review Weekly list. The information is a sensational exposure of the brazen extent of evasion which should surprise even those already cynical about it.

Four fabulously rich "taxpayers", with a net worth between them of $200 million, filed returns showing a total taxable income of only $100,000 in the 1982/83 financial year. One paid no tax at all, claiming income of less than $4595!

These are only the most glaring of the cases cited in the Tax Office minute. whose heading "Taxpayer Profiles/ Horror Stories" is certainly no hyperbole. It contains other case histories including the following:

* "A leading developer residing in a very fashionable residential suburb
returns a gross income of less than $5000."
"A millionaire industrialist residing in an exclusive suburb returns a salary of less than $50,000."
"A managing director earns income in excess of $200,000 .... he paid no tax."

These are only brief extracts from the Tax Office check but they make the essential point that the "cargo" is certainly no myth. (A longer account of the confidential minute appeared in Tribune of October 16.)
The full extent of tax evasion could be measured roughly by multiplying the tax evaded by the four multi-millionaires by the 300 listed in the BRW article and then adding the amount "saved" by the estimated 25,000 other Australian millionaires.

But what about the need for capital accumulation to provide investment for job creation? Unfortunately for this argument, the heyday of tax evasion just happens to coincide with the decline of investment, a decline which continues apace.

Fixed capital expenditure in 1984/85, at average 1979/80 prices, was $18.8 billion compared with $22.5 billion in 1981/82, although total GDP rose from $122 billion that year, to $134 billion last year.
The figure is even worse if spending on dwelling construction is deducted. But 1984/85 was a year of "recovery" and of record profits! Record profits and record tax evasion have not produced that promised capital investment for job creation. The big capitalists prefer to use their tax-free capital gains for takeovers and other speculation rather than invest in job creation.

Laurie Aarons

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