Coalition in retreat over company tax

RATE DEBATE Labor ‘flexible’ on policy

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The Turnbull government has conceded defeat over its plan to lower taxes for Australia’s biggest companies, as Labor frontbenchers left the door open to amending a proposed $20 billion tax rise on 20,000 businesses.

The Coalition’s decision, announced by Finance Minister Mathias Cormann on the last sitting day of Parliament before a sixweek break, comes more than two years after Prime Minister Malcolm Turnbull first budgeted the tax policy, and after months of talks between Senator Cormann and the crossbench.

The government plans to revisit the $35.6 billion legislation after five byelections in July, but key crossbench senators from One Nation and Centre Alliance have ruled out supporting the legislation unless the government meets their demands.

Parliament has already passed the first tranche of tax cuts for businesses turning over up to $50 million, costing the budget $29 billion over 10 years. Senator Cormann had set a deadline of this week to get the remaining $35.6 billion of the $65 billion package through the Senate.

Labor has always opposed the second tranche of the package, arguing the funding could be better spent on hospitals and schools. That has left the government requiring eight of the 10 Senate crossbenchers to pass the legislation.

Senator Cormann took aim at One Nation for refusing to support cuts that would see the company tax rate reduced from 30¢ to 25¢ for all businesses, including those with turnovers of more than $1 billion.

‘‘More and more One Nation voters are coming on board with the plan,’’ Senator Cormann said yesterday. ‘‘Despite our best efforts to secure majority support in the Senate... we have not yet been able to secure the necessary support.’’

Senator Cormann said the government would argue strongly for the tax cuts as the Coalition and Labor move into campaign mode before five byelections in July. ‘‘The
byelections will be a referendum on who has the better plan for a stronger economy and more jobs,” he said.

One Nation has called for a coalfired power station and a multinational tax crackdown in exchange for its support. Centre Alliance had demanded a “cast-iron guarantee” that there will be no cuts to health, education and welfare. “The byelections change nothing,” said Centre Alliance senator Rex Patrick.

Members of the shadow cabinet were blindsided by Labor leader Bill Shorten’s sudden announcement of the $20 billion tax rise on Tuesday.

On Thursday, shadow treasurer Chris Bowen suggested the $10 million threshold could be flexible.

“We’re working through the right threshold, and if it is $10 million, then of course we will repeal what is above that,” he told 2GB radio.

Labor frontbencher Ed Husic said the matter was still “going through internal processes” and “when the shadow cabinet makes its decision, that will all work its way out”. Labor’s shadow cabinet is expected to meet again today to formalise its position.