Longman loss may force tax backdown

COMPANY CUTS By election fallout

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An emphatic by-election defeat may force Prime Minister Malcolm Turnbull to dump his flagship company tax cut as Liberals and Nationals canvass a dramatic policy shift to heed the message from voters.

A dangerous swing against the government in the Queensland electorate of Longman, on a day the Australian Labor Party held four of the five contested seats, has fuelled talk of a new approach to policy and political tactics, with MPs admitting the results put the government on a path to defeat at the next general election.

The case for change includes an argument to shelve the company tax cuts if the Senate blocks the government again next month, setting up an opportunity to rewrite a budget measure that sacrifices $35.6 billion in revenue over a decade.

Senior figures within the government are also canvassing an alternative move to cancel the tax cuts before they are put to a vote, showing the government was acting on the verdict from voters in the by elections on Saturday.

Government MPs warned it was too soon to decide the scale of the threat or the best response, as some blamed local and personal factors for the 9.4 per cent swing against Liberal National Party candidate Trevor Ruthenberg on primary votes.

The outcome appears certain to shape a new strategy to defend Queensland seats at the general election due by May, amid fears the government could lose at least eight LNP seats in that state if Labor replicated the boost to its primary vote in Longman.

Mr Turnbull said the government would consider the results at the five by elections including Longman in Queensland, Braddon in Tasmania, Mayo in South Australia as well as two Western Australian electorates, Perth and Fremantle.

“We will look very seriously and thoughtfully and humbly at the way in which the voters have responded,” he said.

“I mean, clearly we look at it. The real test of a public opinion and political opinion is obviously at elections.”

Asked if he needed to rethink the company tax cuts, Mr Turnbull said the government was “absolutely committed” to its economic policy but avoided a specific pledge to keep the plan in its original form in the budget.
Defence Industry Minister Christopher Pyne backed the tax cut policy on the weekend without declaring it would be kept all the way to the next election, while Social Services Minister Dan Tehan also avoided a definitive answer on Sky News yesterday morning.

One source on Sunday said there was some merit to the concept of giving up the tax cuts to big companies and using some of the funding to accelerate tax cuts to small business, sharpening a division with a Labor that leaves small employers with higher tax rates over the decade ahead.

The government is heading towards a wider discussion of whether to redraft the policy or drop the tax cuts altogether in light of the way they were used to hammer Coalition candidates at the by elections.

Mr Turnbull played down the threat at the general election by describing the swing in Longman as “absolutely an average swing” against the government at a by election where it was trying to win a seat previously held by its opponents.

He also fended off claims the outcome was a significant loss to the government by noting he had always said the Coalition candidates were unlikely to win, adding that voters knew a by election was a “no risk” choice to vote against the government without changing the government.

Mr Shorten challenged the government to drop the “shocking” policy to cut taxes for big companies rather than spend money on the services voters wanted like health and education.

“They don’t want to see corporations get large tax cuts,” the Opposition Leader said of the message from voters.

“It renews my conviction that we need to make sure we prioritise the health of Australians over tax cuts for the big end of town.

“It renews my conviction that [the] education of our young people and the retraining of our adults is much more important than tax cuts at the top end.

“Australians want a political party who is on their side, and we’re going to go for that.”

Critics of the company tax policy within the Coalition have warned that the plan helps Labor repurpose the funding for its own policies, including spending on health and education, while making it easy to attack Mr Turnbull for helping big business.

Defenders of the company tax cuts warned it would be wrong to drop a policy that was good for the economy and thereby reward Labor because of by election results that were not indicators of the outcome at the general election.