

Welfare leaders back GST reform

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Tim Costello said he would rather expand the GST than suffer the cuts in the budget to groups that were 'expendable or weak'.
Picture: Ella Pellegrini Source: News Limited

SOCIAL justice campaigner Tim Costello has called for the GST to be expanded to cover private school fees, fresh food, water, sewerage, childcare and health to fix structural problems in government budgets.

Mr Costello's controversial call was backed last night by Graeme Samuel, one of the business architects of the GST and Australian Catholic University professor Frank Brennan, but provoked mixed responses from welfare, health and aid groups.

Former Democrats leader Meg Lees, who gave the nation the GST through her deal with John Howard, said she strongly opposed Mr Costello's position, but said the government should expand the GST "to areas we didn't look at such as online, where there are hundreds of millions of dollars".

The focus on the GST comes after some states said the Abbott government was trying to force them to call for a higher rate or broader base.

Tony Abbott and Joe Hockey want the states to take more responsibility for raising the money they spend and sparked a row with the budget, cutting \$80 billion for health and education payments across the next decade. State leaders will discuss their response strategy at a summit in Sydney tomorrow.

Mr Howard said this week he was “absolutely certain we will be debating the character of the GST in the not too distant future”.

Mr Costello, the chief executive of aid agency World Vision Australia and the brother of former federal treasurer Peter Costello, called for Mr Abbott’s upcoming taxation white paper to expand the base of the GST.

“Raising the rate is a shock for people but we’ve got one of the smallest bases in the OECD,” he told *The Weekend Australian*.

“We need to cover areas that capture the rich and provide compensation for the poor. This includes education and private school fees, fresh food, water, sewerage, childcare and health. You should start with a presumption against exemptions.”

Mr Costello said broadening the base of the GST could raise an extra \$15bn a year, part of which would be used to compensate the poor. He rejected the argument that low-income earners would be hardest hit by a tax on fresh food, saying they were already paying GST on processed food and consumed more of that.

“You can build in compensation for the regressivity of the GST,” he said.

“Rather than just bleating, we need a mature debate. Politicians regard the letters GST as a death wish or a cyanide pill but the GST has to be looked at.”

Some welfare groups took offence at Mr Costello’s comments, saying the poorest in the community spent proportionately more of their income on food, water and living expenses.

Mr Costello said he would rather expand the GST than suffer the cuts in the budget to groups that were “expendable or weak”.

“I feel very strongly about the cut to foreign aid,” he said. “It’s 20 per cent of the budget savings when it makes up just 1.2 per cent of the budget spending.”

Mr Costello drew a contrast between Mr Abbott and fellow conservative leader David Cameron, saying the British Prime Minister had said he would not balance his books on the back of the poor.

Foreign aid was cut by \$7bn in the budget. Mr Abbott has said it did not make sense to borrow money from overseas to send it overseas as foreign aid.

“Why then do we borrow \$12bn for Joint Strike Fighters?” Mr Costello said. “Why is it only aid that we can’t borrow for?”

Mr Samuel praised Mr Costello, saying: “Tim’s words are music to my ears. That is one of the most mature comments to come from someone who is focused on the disadvantaged in our community and a world leader in this area. I hope some of our politicians listen to him.”

In 1996 as president of the Australian Chamber of Commerce and Industry, Mr Samuel joined forces with then Australian Council of Social Service president Robert Fitzgerald to promote widespread tax reform. The welfare sector was disappointed the Howard government never did enough to tighten income tax loopholes.

Mr Samuel said the joint call for a broad-based consumption tax fell short with exemptions. “What we got was a mutant because of political nonsense,” he said. “If you have a broad-based consumption tax you don’t need to talk about lifting the rate.”

Professor Brennan, a social justice campaigner and Jesuit priest, said there was “obviously a need to broaden the tax base” to fund health and education. “I don’t think you can rule out a change to the GST on moral or ethical terms,” Father Brennan said.

However, he said experts would need to determine whether to lift the rate or expand the base of the tax.

“I’d like to see a tax system that gives endorsement to anyone, rich and poor, to eat more fresh food, and that comes from someone who has eaten his share of processed food,” he said.

Ms Lees, who was eventually overthrown as leader because of the GST deal, said she did not support any broadening of the GST base as suggested by Mr Costello.

“I don’t trust incoming governments will leave the compensation in place,” she said.

Ms Lees said Tuesday’s budget had cut benefits that were part of her agreement with the Howard government.

“The government is taking away the compensation we put in,” she said.

The Public Health Association of Australia warned that raising the cost of healthy foods would increase rates of chronic disease.

“We cannot ignore the economics of increasing healthcare costs from chronic diseases directly linked to poor diets,” PHAA president Heather Yeatman said.

“Over the last three years the cost of fruit and vegetables rose by 8 to 13 per cent compared to only a 3 per cent increase in price for snacks and confectionery.”

Australian Association of Social Workers president Karen Healy opposed any increase in the base of the GST, even with compensation for the most affected.

“The consumption tax falls hardest on those people who have the least discretionary income. Certain groups in society already live in poverty and an extra burden could add extra levels of stress,” Professor Healy said.

National Rural Health Alliance executive director Gordon Gregory insisted the GST must be included in any review of the taxation system.

Mr Costello said the tax debate should include tackling \$30bn in superannuation concessions and \$5bn in capital gains and negative gearing tax breaks.

“I don’t think that there is a budget emergency but I accept a structural problem with revenue and expenditure,” he said. A problem was that politicians made promises they shouldn’t make, then broke them.

“Trust is so low. Spin is so high. We need straight talk. They say they won’t be cutting and then play games with Orwellian language.”

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