



Senator
Steve Fielding
Leader of Family First



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Second Reading Speech

Tax Laws Amendment (2009 Budget Measures No. 1) Bill 2009

24 June 2009

This Bill sets out changes to the tax system and superannuation system that will see the Government pocket \$675 million.

These changes will be felt by many families and will come as a massive blow to them.

In particular, this Bill will cause significant changes to the superannuation scheme and will have substantial consequences for future years.

One such change is to the co-contribution arrangements which are presently available.

Under the proposed changes, the Government will temporarily reduce the Government superannuation co-contribution for eligible contributions made between 1 July 2009 and 30 June 2014.

This will mean that low to middle income earners which have in the past enjoyed Government contributions to their superannuation of up to \$1,500 will now be entitled to a maximum of \$1,000 for voluntary contributions.

The co-contribution measures introduced under the Howard Government were reforms which I believe put Australia on the correct path for dealing with the issue of our ageing population.

It is no secret that in future years, Australia will be faced with the problem of a larger non-working population and will need to find money to support them.

A strong superannuation scheme will mean that more Australians will become self-sufficient and will not rely on pension payments from the Government to get by.

This will significantly reduce our future liabilities and leave more money to be invested in other important areas, such as education, health and social services.

The current reforms are, therefore, a step backwards.

They will reduce the incentives on low income earners to save more money and invest in their future.

They will ultimately result in a greater cost to the Government.

However, I am mindful that these changes are only temporary and are necessary to help pull Australia out of its enormous debt which threatens to become a burden for future generations.

Therefore, Family First will support these changes with the understanding that they are not a reflection of this Government's long-term policy.

This Bill will also see a reduction in the concessional contributions cap.

These changes will have the greatest impact on high income earners who currently use the generous superannuation rules to reduce their tax liability.

Family First is not anti-wealth.

We do not believe in punishing the rich and taxing them so heavily that we reduce all incentive to achieve success.

Family First believes that success ought to be applauded and rewarded.

However, Family First also believes that those with a greater capacity to assist Australia should do so in times of need.

Now is that time of need.

Now, when we are facing a massive deficit of \$57 billion is the time when we need to ask those who can afford to do a bit more to actually do a bit more.

These changes will achieve this.

This Bill also contains changes to the taxation of income earned overseas by Australians.

As it stands at the moment, Australian residents are exempt from paying tax in Australia on any income earned overseas where they have been engaged in continuous foreign service for a period of not less than 91 days.

This is an important exemption which ensures that Australian firms can remain competitive when tendering for overseas project and which will involve the employment of Australian residents.

Australian firms, particularly in the mining and construction sectors often employ workers for overseas projects on a net salary basis.

This means that their wage is calculated after tax, with this expense being paid for by the employer.

Under the proposed changes, Australian employees will become more expensive to employ and as a result, less attractive when compared to employees for other locations with lower tax rates or more generous exemptions for working abroad.

This includes countries such as the US, UK, New Zealand, Germany and many countries located within Asia.

Family First is disappointed with these changes and believes it will have an unfair impact on Australians that are and would be working for a short period of time overseas.

However, as with the other changes to this Bill, Family First also recognises the need for tough decisions to secure our long term future.

However, there is two unintended consequence of this Bill which Family First believes needs to be rectified.

As a result of the removal of this overseas income exemption, Australian workers employed overseas will have their tax automatically withheld by their Australian employer as well by the country in which they are employed.

In some cases, this will lead to 85% of their pay check going towards taxes.

Withholding tax is currently payable in numerous countries within the Asian Pacific region, as well as the United States and United Kingdom.

This means that Australian residents working in any of these countries will be affected.

While these workers will be entitled to refund for any tax paid overseas, they will only be able to recoup this money at the end of the financial year. In some cases, a full 12 months later.

Family First believes that it is grossly unfair and has included amendments to this effect.

Under the amendments, the Pay As You Go Requirements would not apply to Australian workers overseas.

This would mean that the tax would only be collected by the Government where there is a shortfall at the end of the financial year when the tax return is lodged.

This will still result in the same amount of tax being collected by the Australian government, but will ensure that workers living overseas are not double taxed and then asked to wait 12 months to get their money back.

The Government has flagged to me that in such cases employers can apply to the ATO for an exemption to withhold this tax at a lower rate, however, this is not a good solution.

This will create more red tape for businesses and create additional administrative costs.

Family First's amendment, therefore, provides a more efficient and workable solution.

The Government has also raised with me concerns that this amendment will effect what expenses will be taxable under the fringe benefits tax arrangements. This is correct.

As it stands at the moment, an employee sent overseas by an Australian company and who has their medical insurance paid for by their employer is required to pay fringe benefits tax. This is paid by the employee in the country where this benefit is incurred. However, what the Government is now seeking to do is to double dip. They are asking employees to pay tax on their fringe benefits overseas and are then asking their employer to pay tax again on this benefit in Australia. This is unfair.

No one likes paying tax, but collectively as a nation, we accept that this important so that our country can function properly. However, few people would accept that it is fair pay tax on the same benefit twice. This is just plain wrong.

The Government themselves have accepted that this is a significant issue and have suggested that the ATO address this concern. The Senate Committee which conducted an inquiry into this Bill also recommended that measures be adopted to prevent double taxation from occurring. Now we are being asked in the Chamber to vote on a Bill that by the Government's own admission contains flaws without seeing the solution which they propose to introduce. This is not how decisions of such importance should be made. It is incumbent on the Government to present a solution before we are asked to lend our support to their measures.

Family First's amendment is this solution.

Family First's amendments will result in a far more equitable system and warrants the full support of the Senate.

Family First will continue to support the Government in its efforts to tackle the enormous debt we are facing as a country.

However, we will not write the Government a blank cheque.

At the forefront of our mind will always be whether the Government's actions are giving Australians families and businesses a fair go.