



Funding a Flourishing Community versus Tax Breaks

Issued February 2024

Our Christian faith leads us to want a decent life for all people, including those who are in crisis, disabled or suffer from mental health issues. We want a society where children have a proper education, with accessible and affordable health care for everyone. All these things require adequate funding by Governments.

In the lead-up to the last Federal election, the Labor Party made several commitments if they were elected. These included:

- Increasing the number of refugees Australia would take each year to 27,000;
- Cheaper child care costing \$5.4 billion over the next four years;
- Fixing the aged care crisis at the cost of \$2.5 billion over the next four years;
- Powering Australia and rewiring the nation to reduce Australia's greenhouse emissions, and fixing the aged electricity grid. The commitment included spending \$24 billion to achieve its goals; and
- Building 20,000 social housing dwellings and 10,000 affordable housing dwellings over the next five years.

These worthwhile commitments will require significant government revenue. The Labor Party argued there was no space in the budget to increase payments to people locked out of paid employment by increasing the JobSeeker payments. Instead, the Government committed to a massive handout to wealthy Australians by upholding the stage three tax cuts legislated by the previous Morrison Government.

In February 2023, we requested that you write letters to the Federal Government urging them to scrap the Stage 3 tax cuts that would have delivered \$235 billion to people on the highest 20% of incomes over the next decade. That represented 73% of the tax cuts. Those in the bottom 20% of incomes would have received nothing from the tax cuts. Two-thirds of the benefit would have gone to men.

On 25 January 2024, the Federal Labor Government announced they would still give away government revenue through personal income tax cuts. However, the distribution of what will be given away will be fairer. The new tax cuts will reduce personal income taxes for 13.6 million people. There will be 11.5 million people (84%) getting a more significant tax cut than under the original Stage 3 tax cut. There are 900,000 people on incomes greater than \$190,000 per year that will get a smaller tax cut. There will be 5.8 million women who will get a larger tax cut. A person with an annual income of \$40,000 will now get a \$654 tax cut compared to no tax cut under the original Stage 3 tax cuts. A person with an income of \$200,000 will still get a tax cut of \$4,529.

While the tax cut will be distributed more fairly, it will still result in a loss of government revenue that could be used to provide better support and services for people who really need it.

The new distribution of tax cuts will still feed the rise in financial inequality in Australia. The World Inequality Database (<https://wid.world/country/australia/>) shows that income distribution in Australia has matched the global trend for wealthy countries. Between the First World War and 1980, the share of income for the bottom 50% of Australians increased from 15.3% to 18.7%. The income share of the top 10% decreased from 36.6% to 24.9%. After 1980, the trend reversed with the rise of neoliberal economics that favoured the wealthy. By 2022, the neoliberal economic policies pursued by Australian governments saw the income share of the bottom 50% of Australians drop to 16.4%, and the top 10% had their share increase to 32.9%. As French professor of economics Thomas Piketty has argued, "History shows that inequality is essentially ideological and political, not economic or technological."

The right-wing press, mainly News Corp media owned by billionaire Rupert Murdoch and Nine Media *The Australian Financial Review*, insisted that the Labor Government only needed to honour its commitment to give money away to wealthy Australians. They argued that a fairer society that seeks the welfare of all its members is an attack on the “aspirations” of the rich and those who seek to be wealthy. But, as the Christian community, we need to speak up about what spending priorities are essential to improving our society and supporting the most vulnerable.

Given the ferocious attacks the Federal Government is under from the billionaire-owned media, there is a need to demonstrate to the Government that many Australians want a fairer society that looks after all its members and cares about our overseas neighbours as well.

Synod's position on the role of government and taxation

The position of the Synod on the role of governments and taxation is best captured by the resolution of the 2017 meeting of Synod delegates:

(a) To express its concern to the Federal Government that due to a lack of resources Australian Governments are increasingly unable to fulfil their core functions of assisting all people to reach their full potential and protect the vulnerable in our community;

(b) Noting that:

- the National Assembly (resolution 88.22.11/13) called for tax to be used for the redistribution of wealth;*
- the Synod (resolution 97.6.6.7) called for taxation to be progressive and just;*
- Commonwealth Government revenue as a proportion of Gross Domestic Product has been on a downward trend over the last decade; and*
- Australian Governments collect significantly less revenue as a proportion of GDP compared to the significant majority of OECD countries,*
to call on the Federal Government to increase, by progressive means, targeting tax expenditures that disproportionately benefit the wealthy, the level of revenue it collects to be able to provide the support people need to reach their full potential and to protect all people from abuse and exploitation.

What You Can Do

Write polite and respectful letters to:

The Hon. Anthony Albanese MP

Prime Minister
PO Box 6022
House of Representatives
Parliament House
Canberra, ACT, 2600

The Hon. Dr Jim Chalmers MP

Treasurer
PO Box 6022
House of Representatives
Parliament House
Canberra, ACT, 2600

Salutation: Dear Prime Minister

Salutation: Dear Treasurer

Points to make in your letters:

- Welcome the redistribution of the Stage 3 tax cuts they have announced to make the benefit fairer to those on lower and middle incomes.
- However, express concern that our community has pressing needs that require more government revenue. Thus, the government needs to identify additional progressive ways to increase revenue and address the increasing financial inequality in Australia.
- The Government should prioritise meeting its election commitments to increase the number of refugees Australia takes, address climate change, provide housing and fix aged care. You might also add some priorities of your own.