CREATING A CARING SOCIETY
MORE REVENUE, FEWER CUTS

The Greens' plan to raise more revenue from those who can afford to pay

With many people feeling under increasing pressure, our government needs more money to fund the services and support we all need. Australia's mining industry and big banks are making enormous profits and should contribute more to creating a caring society.

The recent federal budget was a clear demonstration of the contrast between the old parties, which are obsessed with balancing budgets by cutting funding to vital services, and the Greens, which have a vision for a fairer, more caring society.

While both Labor and the Coalition are going down the path of service cuts, the Greens offer an alternative. We recognise revenue must be raised and we want it to come from those who can afford it.

> A CARING SOCIETY REQUIRES MORE REVENUE

As a nation we should be investing in higher education, not cutting funding to universities and putting students under even greater pressure. We should be increasing Newstart, not condemning people to poverty, and we should be caring for single parents, not making their lives even more difficult.

We can do all these things and more, like bringing dental care into Medicare for everyone, by standing up to the big mining companies and big banks and demanding a fairer contribution to the whole community.

The Australian Greens will raise an extra $42.7 billion of revenue to be invested in our future by:

- **Fixing the mining tax**, so the multi-national mining corporations pay their fair share for mining our natural resources. An improved mining tax will raise $21.8 billion over the three years from 1 July 2014.
- **Abolishing tax breaks for the fossil fuel industry and assistance to carbon capture and storage programmes.** This will raise an additional $12 billion over the forward estimates.
- **Introducing a Public Support Levy on the big banks**. A 20 basis point levy on bank assets over $100 billion will raise $8.4 billion over the three years from 1 July 2014.
- **Increasing the effective marginal tax rate on incomes over $1 million**. Increasing the effective rate to 50 per cent from 1 July 2014 will raise $500 million over the forward estimates.

The independent Parliamentary Budget Office has costed these proposals.

> FIXING THE MINING TAX

The Minerals Resource Rent Tax introduced by the government is a flawed tax. It was negotiated with three of the world's biggest mining companies – BHP, Rio Tinto and Xstrata – by a government which failed to stand up for the interests of all Australians.

It was supposed to be a tax that "spread the benefits of the boom" and yet it will raise only $200 million in its first year. This is nothing less than an embarrassment for Labor.

It doesn't have to be this way. Australia is experiencing a mining boom with production from our mines continuing to increase and a well-designed mining tax will ensure the whole community benefits from the mining of our natural resources, not just multi-national mining corporations.

The Australian Greens will fix the mining tax by:

- increasing the rate to 40% from 22.5%; 40% is the rate already applied to oil and gas
- only rebating royalties in place at July 2011. Currently, if a state government raises royalties this will effectively be paid by federal taxpayers, not the mining companies
- only allow depreciation on the book value of the amounts actually spent on mining infrastructure. Currently, mining companies have the option of depreciating the market value

of the mine, which can be much higher than what they have actually spent. This is a key flaw and explains why the mining tax has raised such a small amount of revenue.

- extend coverage to all minerals, not just iron ore and coal.

The proposal has been costed by the independent Parliamentary Budget Office which found that that these changes combined would raise an additional $21.8 billion over three years.

> ENDING TAX BREAKS TO BIG MINERS

The government is exacerbating global warming by making it cheaper for big mining corporations to extract more coal, oil and gas via special tax treatment for exploration, depreciation and fuel rebates. If mining companies didn't get so much government assistance, then renewable energy would be more competitive.

The Australian Greens will abolish three key tax breaks to the mining industry:

- **Diesel fuel rebates**: mining companies pay only 6 cents a litre excise on purchases of diesel fuel, compared to ordinary consumers who pay 38 cents. We will keep the rebate intact for other uses, including farming. Making mining companies pay a fair price for their fuel would raise an additional $7.1 billion over the forward estimates.
- **Favourable depreciation treatment:** instead of the usual practice of depreciating assets such as cars, planes and machinery over their useful life, the mining industry is allowed to claim depreciation over a shorter period. The Greens propose to remove these "accelerated depreciation" provisions for aircraft, the oil and gas industry and vehicles (except those used for agricultural purposes). This would raise an additional $1.8 billion over the forward estimates.
- **Immediate depreciation on mining exploration:** expenditure on exploration and prospecting by the mining industry is immediately deductible for company tax rather than depreciated over time as is the usual practice for investments. Changing this would raise an additional $2.7 billion over the forward estimates.

> ABOLISHING ASSISTANCE TO CARBON CAPTURE AND STORAGE

The government is spending taxpayers' money on carbon capture and storage (the so-called clean coal technology) because the coal companies do not think the idea has enough chance of becoming financially viable to invest much of their own money.

The Australian Greens would cease funding the Global Carbon Capture and Storage Institute and abolish the Carbon Capture and Storage Flagships programme and the National Low Emissions Coal Initiative. This would save $509 million over the forward estimates.

> PUBLIC SUPPORT LEVY ON BANKS

Our big banks are making record profits, around $24 billion in the past year. This represents over $1000 for every Australian. In just the six months to December 2012, the Commonwealth Bank made an after-tax profit of $3.7 billion, while Westpac's after-tax profit for six months to March 2013 was $3.3 billion. NAB and ANZ lagged slightly behind on $2.5b and $2.9b respectively.

These record profits off the back of consumers are underpinned by an implicit "too big to fail" guarantee from the government. If the banks went to the wall taxpayers would bail them out. The big four banks are taking all the profits while taxpayers are wearing all the risk.

The International Monetary Fund has made clear the benefit of this guarantee to banks in accessing cheaper wholesale funding.

It is time the big four banks paid a fair contribution for the public support they receive.

The Greens' proposal for a 20 basis point (0.2%) levy on bank assets in excess of $100 billion mirrors similar levies in Europe that raise, on average, approximately 0.2% of GDP and are based on International Monetary Fund proposals.

By limiting the levy to those big banks that are truly "too big to fail", the levy won't be passed on to consumers as the big banks will face competition from smaller banks which aren't paying the levy.

As well as raising an additional $8.4 billion over three years, such a levy would improve bank competition, going some way to equalising the wholesale funding advantage government policy gives systemically important banks over smaller institutions.

> MILLIONAIRES' TAX

The gap between rich and poor in Australia is growing. Those who earn enough to be classified millionaires don't face the same pressures as the rest of the community. An effective tax rate of 50% on income over $1 million will make our tax system fairer and contribute $0.5 billion dollars to creating a more caring society.

Fewer than 10,000 individuals – less than 0.1 per cent of taxpayers – have taxable incomes over $1 million. The top marginal income tax rate paid on very high incomes has fallen from 67 per cent in the 1960s to 45 per cent now.

The proposed higher top marginal tax rate would mean the wealthiest Australians still keep half of any additional dollar they receive, a larger proportion than some struggling Australians who lose benefits as their income rises.

> WHY WE CAN AFFORD THESE MEASURES

Former Treasurer Swan blamed his failure to achieve his political goal of a budget surplus in 2012–13 on weaker commodity prices. The main causes of the deficits, however, are that neither of the old parties will take on big business. Instead, when Treasurer Costello promised permanent tax cuts from a temporary mineral price boom, Labor matched his promises. The Greens' proposals seek to restore the budget to a sustainable position while also raising enough revenue from those who can afford to pay to fund services and support for all Australians.

The additional $40 billion we can raise will still leave Australia as a low-tax country by international standards. Indeed, the total amount of tax raised from 2014–15 to 2016–17 would be the equivalent of 23.7 per cent of GDP, **less** than the proportion in the latter years of the Howard–Costello government, which reached a high of 24.2per cent. But more tax will be paid by those who can better afford it, such as the record profit-making banks, millionaires and the foreign shareholders who own around 80 per cent of mining operations in Australia.

> WHY MINING CAN PAY MORE

The government attempts to explain away the failure of its mining tax by pointing to the drop in commodity prices. It is true commodity prices have come off their record highs of late, but they are still at historically high prices. It is also true the resource rent taxes are on profits and the profits of mining companies are also down compared to recent record highs. But what the government cannot explain is how Rio Tinto made $9 billion from Australian iron ore last year and paid no mining tax.

The reality is that the mining tax has fundamental design flaws as a result of the willingness of the then Prime Minister to cut a political deal with BHP, Rio and Xstrata at the expense of the community.

Since the China boom the Australian mining industry has been making enormous profits: over $100 billion in 2011–12. In most cases commodity prices are much higher than assumed when mines were developed, so much of these profits represent ”windfall gains”. About 80 per cent of these profits accrue to foreign shareholders and much of the remainder to wealthy Australians.

The mining lobby tries to argue that increasing taxes on the mining industry would lead to mines closing in Australia and investment being directed to Africa or South America. Such claims are nonsense. Both actual and expected investment in the Australian mining industry has reached new records in recent years, with over $250 billion of investment being planned in the next few years.

Mineral industry adviser, the Behre Dolbear Group, has released an international comparison concluding that Australia is the best place in the world for mining investment, being particularly attractive for its political and economic stability, freedom, lack of corruption and speed in granting permits (revealing that the rhetoric about too much regulation also has no factual basis).

Contrary to their exaggerated claims, mining only employs two per cent of the labour force, significantly less than manufacturing, agriculture and tourism. In fact, mining jobs have been created at the expense of jobs in these sectors, which have been hurt by the higher dollar, higher interest rates and skill shortages created by the mining boom.

> CREATING A CARING SOCIETY

Revenue from a well constructed mining tax, ending tax breaks to the mining corporations, a millionaires' tax and a public support levy on the big banks should be invested in caring for people and protecting the environment by: increasing Newstart by $50 a week, bringing dental care into Medicare for everyone, reversing the funding cuts to universities and students and investing in clean energy. These are investments for the future when the mining boom runs it course.

Unlike Labor and the Coalition, the Greens are not afraid to stand up to the big mining corporations and the big banks to care for people and protect the environment.