

7. Taxation and Wage Fixation

Ongoing Relevance?

[7.1] ACCI's submissions to recent Safety Net proceedings have addressed the relevance of taxation to wage fixation, and in particular the relevance of major changes to the taxation system (including the reform of indirect taxation) to the Commission's consideration of appropriate safety net increases.

[7.2] ACCI again highlights the importance of this Commission continuing to not accord significant weight to taxation reform in determining minimum wages. This is necessitated by:

- a. The need to consider the impact of taxation change on some macro level indicators (e.g. the CPI) in making the general judgements of the AIRC in these matters. This does not however make taxation changes more generally relevant to the determination of the claim at hand.
- b. Economic arguments and materials advanced by the ACTU reflecting its continued perception that taxation reform has an ongoing negative impact⁹.
- c. A minority of the witness statements presented by the ACTU that seek to highlight various ongoing impacts of taxation reform.¹⁰ Six of the eleven statements presented do not however appear to identify taxation reform as impacting on their personal incomes and expenditures.

⁹ (C2001/5719 and ors) ACTU Written Submission, 8 February 2002, [e.g. 4.7, 4.11, 4.12, 4.15, 4.16, 4.17, 4.19, 4.20, 4.22, 4.32, 4.33, 4.35, 4.49, and 4.114]

¹⁰ (C2001/5719 and ors) ACTU Written Submission – Witness Statements, 8 February 2002:

Tag 1 – Kevser Berat, [16], p.5-6
 Tag 4 – Albert Yakoubian, [18], p.19
 Tag 5 – Brendan Raymond, [9], p.23
 Tag 6 – Tesfgay Tsegay, [18], p.29

[7.3] Whilst it is unclear from submissions and comments to date, to what extent the ACTU seeks to directly rely on taxation changes on this occasion¹¹, it may again seek to have the Commission reverse its established approach to the relevance of taxation in determining appropriate wage increases.

[7.4] The existing Commission approach of declining to place significant determinative weight on taxation change, and correctly recognising the differing responsibilities of Parliament and the Commission, should be maintained as the New Tax System matures, and become an entrenched part of the Australian economy.

The AIRC Approach

[7.5] In its 2000 decision¹², the Commission outlined its approach to the relevance of taxation reform to its safety net determination task:

We have decided that it would be inappropriate to take the impact of the GST into account in determining the adjustment to be awarded in these proceedings. Even if it were appropriate to do so any allowance made in the amount of the safety net adjustment in this case referable to the impact of the GST or the effect of inflation on the tax scales would inevitably be based on a speculative assessment of the impact of the new tax after allowing for the changes in the income tax scales. Moreover it is not clear at this stage what significance the GST will have in wage negotiations. Having regard to the Commission's limited statutory role in relation to the bargaining process and in the certification of agreements it is not appropriate that we make any comment on that issue.

[7.6] The Commission also commenced the conclusion to its 2001 decision by noting that:

As noted in previous decisions the statutory scheme does not give to the Commission a supervening social welfare responsibility either for incomes

Tag 8 – Shirley Bennett, [14], p.34

¹¹ See *Safety Net Review - Wages May 2001 Decision* [Print PR002001], [108] for previous ACTU arguments on this issue.

¹² *Safety Net Review - Wages May 2000 Decision* [Print S5000], [113]

*generally or their distribution. The scheme regulates wages and conditions of employment and requires the adjustment of the minimum wages safety net contained in awards having regard to particular considerations. The information about income levels and distribution provided by the parties is informative of Australian living standards. However, it must be taken into account having regard to the limited nature of our task and statutory responsibilities.*¹³

[7.7] ACCI can see no reason for the Commission to depart from this established approach in the current proceedings, in relation to either:

- a. Any submission that taxation reform has directly impacted on one or more of the factors the Commission must take into account under the *Workplace Relations Act 1996* (including, but not limited to s.88B(2)(c)).
- b. Any implicit or indirect suggestion that GST compensation through personal taxation must be “topped up” via additional increases in minimum award wages.

[7.8] ACCI has previously¹⁴ highlighted the AIRC’s (and parties’) long established reluctance to vary awards to reflect changes in the taxation system, or to use a labour relations tribunal as the basis for reviewing and responding to changes in taxation law that impact on business or employee costs or income.

[7.9] National Wage/Safety Net decisions of the past 20-30 years have neither examined nor referred to ongoing taxation changes, including those that had very significant effects on enterprises and individuals. The Commission has neither given weight to, nor cited taxation changes in justifying increases awarded during this period. For example, the 6.6%-20% increases to sales taxes in 1993-1995, were neither examined (nor highlighted by parties) in the October 1993 Review Decisions¹⁵.

¹³ See *Safety Net Review - Wages May 2001 Decision* [Print PR002001], [125]

¹⁴ This section is substantially based on ACCI’s 2001 Written Submission

¹⁵ Prints K9940 and K9700

[7.10] There are sound practical reasons for this well-established approach:

- a. The number and frequency of taxation changes makes it impossible, inapplicable and unwarranted to seek to vary awards to address taxation changes on an ongoing basis.
- b. The complexity of taxation law reform makes it a very difficult matter for the Commission to attempt to look behind the actions/intentions of Parliament, or to seek to counteract/control for the impact of taxation changes, or to reach a policy response independent of that determined by the legislature.
- c. Taxation laws are amongst the most frequently amended and litigated legislation. The idea that each significant alteration which affects business or employee costs should be reviewed under labour relations legislation by a labour relations tribunal is unworkable.
- d. It would be a very complex matter for the AIRC to determine which taxation changes should be addressed, to what extent, and using which of the Commission's powers/instruments.

[7.11] There are also questions as to whether it would be appropriate for the Commission to seek to respond to (or even to seek to the counteract) Parliament's determination of taxation policy/legislation, particularly where Parliament has specifically debated and determined appropriate levels of compensation for PAYE taxpayers.

[7.12] In any event, these issues have been exhaustively debated by the major political parties in the last federal election, and during the passage of legislation through Parliament. It is not appropriate to attempt to revive the debate, this time in the Australian Industrial Relations Commission.

[7.13] Almost two years have now passed since the introduction of the new tax system and the GST (1 July 2000). This issue has been examined in the past two safety net review decisions, and extensively in Parliamentary and public debate.

[7.14] It is unclear whether the ACTU continues to directly rely on taxation reform as a ground to support its application for a wage increase. The various references to taxation reform in the 2002 ACTU written submission may be merely extraneous comment. If this is not the case, the AIRC should maintain its existing approach of according this little or no weight in its determination of minimum wage increases.

Personal Tax Issues

[7.15] The personal tax cuts which accompanied the introduction of the GST fully compensated for the increases in the price level. Not only were there tax cuts, but they were accompanied by various improvements in social services. These tax changes and welfare improvements ensured that no one would be left worse off through the introduction of such changes to the tax system. A line should be drawn under the GST since there are no Safety Net issues. Wage earners have been fully compensated through the tax system as our data shows. The introduction of the GST offers no grounds for increasing award wages.