

## Stage 3 Tax cuts and DP World

Innes Willox, Chief Executive of the national employer association Ai Group

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**Journalist:** The Federal Government says its contentious Stage 3 tax cut due to go ahead from July, slashes the income tax rate for millions of Australians, but there have been calls for modification or the taxes to be scrapped all together...Why are the tax cuts good for Australia?

**Willox:** We have to remember these are called Stage 3 tax cuts for a reason because this is the third iteration of tax cuts which were planned and proposed back in the budget in 2018-19, almost six budgets ago. It is not as though they are a surprise. They have been baked into the system for a very long time. The Reserve Bank, the Treasury have all had these numbers ready. So they are not a surprise. What is positive about these is that they simplify the tax system, they take out a tax bracket, then tax earners between \$45,000 and \$200,000 are paying the same tax rate, 30%.

It doesn't eradicate, but certainly lessens what's called bracket creep, when people move into tax brackets which is a massive disincentive to work and to earn more. Look, overall, a simpler tax system is better for us all. We're heavily reliant on income tax, and it doesn't actually really skew things to the top end.

**Journalist:** Well it does disproportionately favour income earners over \$200,000, and on that basis, people earning less than \$45,000 get absolutely no relief. How is that in any sense fair?

**Willox:** I will go back to where I started. Michael. These are Stage 3 of tax cuts that have been skewed to lower and middle earners. We had the tax offset for many years as well. This is part of a process. You've got to think of it this way, Michael: 0.6% of the adult population pays the same amount as 71.4% of the adult population, the way the tax system is skewed. That does not change under these proposals. Economists like Chris Richardson make that very clear, that it doesn't swing things dramatically towards higher income earners, but what it does is flatten out and simplify the tax system.

**Journalist:** Are you 100% confident the tax cuts will happen? I know the Prime Minister has been using various forms of words. This week he says the Government is "committed" to the tax cuts. Do you see any wriggle room where the Government will bail out from the tax cuts or certainly scale them back?

**Willox:** You'd certainly hope not. We've gone through two election cycles. Both major parties have supported those tax cuts since 2018-19, so they've been in the system for a very long time. It risks being a breach of faith with taxpayers who have been looking forward to these tax cuts now for a very long time. We hope, we expect that these tax cuts will remain in place because of the broader economic value they bring but also the value to individual income earners.

**Journalist:** I want to also bring up the DP World issue there. They are at loggerheads with the Maritime Union of Australia. Industrial Relations Minister Tony Burke met executives of DP World. He came out of that meeting very angry, saying he was sick to death of having highly profitable companies (saying everything is the fault of them having to pay their workforce the same as their competitors)...what do you make that?

**Wilcox:** Unfortunately, the minister has a bit of a track record for going for personal abuse when dealing with CEOs.

**Journalist:** Is he anti-business in your view?

**Wilcox:** I don't think he is anti-business, but that's where his rhetoric tends to go, and it is unfortunate. This is a company trying to work its way through a long-running dispute with a union. We hope it gets resolved very quickly. Why do we hope it gets resolved very quickly? Because tens of thousands of containers are lining up on our docks every day and that's growing every day. That's impacting the broader economy – food, processing, the food we eat, things like salts and sugars and all those sort of things. They are all being held up. Then you look at construction, energy, retail – it's having broad impact across the economy. That's why we would like it to be resolved. We would have hoped that the Minister would – OK, he might be angry about the dispute. We hope he could put that away and sit down and help resolve it. Part of the big problem we have is if this drags on, it will just get worse and it will get worse into next year as well, and our economy is already doing it tough. This is not helping.

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