

**SENATE ECONOMICS LEGISLATION COMMITTEE**

Consideration of

***The Taxation Laws Amendment Bill (No. 7) 1997***

**MINORITY REPORT**

**Senator Andrew Murray  
Australian Democrats**

**April 1998**

**Senate Economics Legislation Committee**

***Taxation Laws Amendment Bill (No. 7) 1997***

**Minority Report: Senator Andrew Murray: Australian Democrats**

-----

The Australian Democrats acknowledge that the Taxation Laws Amendment Bill (No. 7), (the Bill), contains several measures which were important parts of the Government's 1997-98 Budget strategy, delivered some eleven months ago. The Government indicated that it intended to deal with the Bill prior to Easter. On this basis the Australian Democrats agreed to the rapid consideration of this Bill by the Senate Economics Legislation Committee and an early reporting date. In fact, at the time of writing, it appears most unlikely that the bill will be dealt with prior to Easter, and a rushed reporting date has allowed the Committee totally inadequate time to deal with a number of very complex, detailed and important tax issues.

The Australian Democrats places on record its objection to the Government's practice of squeezing the legitimate deliberations of Committees to meet unrealistic projections for the Senate's consideration of Government legislation.

Due to the lack of time to consider adequately and responsibly the evidence put before the Committee, the Australian Democrats reserve their position in relation to all parts of the Bill, until it is debated in the Senate. Some issues of concern to the Australian Democrats follow.

**1. Choice of Superannuation Fund**

This area was comprehensively considered by the Senate Committee on Superannuation in its recent report 'Choice of Fund.' That report included a Supplementary report by Australian Democrats Senator Lyn Allison.

The Australian Democrats' report raised several issues and concluded that

'The Democrats see some merit in moving to improve the choice mechanisms within the superannuation system as a means of enhancing the ownership and control by members over their investments. However, this needs to be done in a way which maximises benefits to employees while minimising costs to the system as a whole. The Government's choice regime as it presently stands does not effectively achieve this balance effectively, and will need to be substantially amended to shift the balance back in the favour of employees.'

## **2. Distributions from private companies**

Much of the discussion in the hearings related to the provisions for distributions from private companies in Schedule 9. The Government sought to address problems in this area of the Bill by drafting a number of amendments publicised shortly before Committee hearings commenced. It appears that the Government has met a number of stakeholder concerns in this area, but there may be further room for improvement.

For example, the Australian Employee Ownership Association (ESOA) has proposed further amendments in its letter of 3 April. It proposes that the bill be amended to ensure that payments made to fund shares under an employee share ownership plan are explicitly exempted from the provisions of Division 7, and that consequential amendments ensure coverage of both qualifying and non-qualifying share plans. ESOA has also recommended that in relation to loans made to fund shares under employee share ownership plans, exemptions be extended to both qualifying and non-qualifying loan plans.

The Australian Democrats will consider the merits of these proposals and others prior to debating the bill in the Senate.

## **3. Savings tax offset**

The Australian Democrats acknowledge the benefits of encouraging individuals to increase their levels of savings. Arguments have been presented as to the effectiveness and of the measure as currently drafted. Some have argued that most people on lower levels of income will be unable to take advantage of the offset, in which case the provision becomes socially regressive as it would favour those on middle and higher incomes. The test then is whether the offset will encourage new savings or merely reward those who would save in any case. The Australian Democrats consider the Committee has not had sufficient time to question Treasury officials and industry savings experts to determine the impact of this Bill on national savings. It may be best if such an initiative were delayed for consideration in the broader context of the comprehensive taxation overhaul that is likely to follow the next election.

The Australian Democrats reserve the option to present a supplementary report.

Senator Andrew Murray  
April 1998