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Federal Member for Wills

**TAX LAWS AMENDMENT (POLITICAL CONTRIBUTIONS AND
GIFTS) BILL 2008**

Second Reading 26/09/2008
House of Representatives

[Mr KELVIN THOMSON](#) (Wills) (11.52 a.m.)—The [Tax Laws Amendment \(Political Contributions and Gifts\) Bill 2008](#) abolishes income tax deductions for political contributions and gifts. It was an election commitment of the Labor government to remove tax deductibility for donations made to political parties. Indeed, this measure was introduced earlier this year as part of the Tax Laws Amendment (2008 Measures No. 1) Bill 2008, which was rejected by the opposition parties in the Senate. The introduction of this bill provides an opportunity for the new Leader of the Opposition, Mr Turnbull, to show that he understands that there has been a change of government, that he is not leading a government in exile, thinking and behaving as though they are still running the country and that the election of November last year simply did not happen. This provides an opportunity for the Leader of the Opposition to show he understands that and to support this bill.

This bill implements Labor's election commitment to improve the transparency, accountability and integrity of the Australian electoral system. It addresses the problems caused by the large increase in the deductibility threshold introduced by the Howard government, which raised the level of tax deductibility from \$100 to \$1,500—a 15-fold increase. The coalition changes also allowed corporations and other large entities to deduct the full amount, whereas the previous laws were confined to individual persons—real person donors. Labor took a strong stand against these changes when they came before the parliament when we were in opposition. Indeed, we further opposed these changes in our Labor Party national platform. Clause 49 of that platform from 2007 says:

Labor will abolish the tax-deductibility of political donations, and reverse the Howard Government's attempt to hide donations by lifting the disclosure threshold from \$1500 to \$10,000.

So our position was made clear at the national conference, it was made clear in the parliament, and it was made clear through pre-election announcements.

Further to that, the public policy grounds in support of this bill are clear. The Democratic Audit of Australia, for example, said in its 2006 paper that the Howard government's changes:

... can also have regressive effects and hence, undermine political equality. The present system of tax relief, for instance, favours the wealthy because, having more disposable income, they are more able

to take advantage of the subsidy. Further, for the same amount of political donation, the wealthy, being subjected to higher income tax rates, receive a greater amount of public subsidy.

I believe that donations from individuals to political parties should be genuinely philanthropic and that an additional inducement from the taxpayer is unnecessary and unjustifiable. I do not believe that taxpayers should subsidise individual donations in this way. Further, removing tax deductibility is a good policy option for promoting integrity in the political system. It is a reform which could well have a beneficial impact on the not-for-profit and charitable sectors; these are areas which attract tax deductibility status and may turn out to be a more attractive option for philanthropic donors as a result of these reforms. I believe this is a measure which will improve the integrity of the electoral system.

The amendments intend to abolish income tax deductions for political contributions and gifts. We have a situation where the previous government expanded the deduction, in terms of both its quantum—from \$100 to \$1,500—and the range of people who could take advantage of it, extending this from individuals to corporations. The coalition changes allowed corporations and other large entities to deduct the full amount. The existence of the high threshold that we have now skews political influence, provides financial advantage to those who are wealthy, is regressive in nature and undermines political equality. It is fundamentally corrupt. It has no place in Australia's democracy. I further note that it has a cost of \$10 million per annum to Australian taxpayers, which is money that would be better spent by taxpayers themselves. We are told that removing tax deductibility for contributions to political parties will save an estimated \$31.4 million over the forward estimates and that this forms part of the government's savings plan and response to inflationary pressures in the economy by reducing government spending and lifting the budget surplus.

The government believes that removing tax deductibility is an important policy option for promoting integrity in the electoral system. It is similar in intent to Labor's more rigorous donation disclosure reform, which has been introduced into the parliament but was regrettably thwarted by the Liberal Party. The government is committed to delivering greater electoral transparency and progressing electoral reform. Let me point out to the House that this includes the commitment made by the Prime Minister last year when in opposition to hold a referendum calling for the introduction of four-year fixed terms for the federal parliament. I believe that that is the kind of reform which we need. It provides stability and responsibility. I think it is unfortunate that we have seen governments of different political persuasions over the years calling elections opportunistically and damaging public confidence in the electoral process. We should not have arbitrary, partisan or capricious election dates. Professor John Quiggin of the University of Queensland has said:

If elections are intended as the primary democratic check on executive power, it seems counterproductive to allow the executive so much freedom to manipulate their timing.

We also note that governments, as well as seeking to manipulate election dates, are also keen to engage in taxpayer funded advertising. Prior to the parliament rising in 2007, we saw the amount being spent on taxpayer funded advertising rising to \$1 million a day. I note that the average period between federal elections since 1901 has been 945 days, or 31½ months, which is well short of the three years provided by the Constitution. I further note that fixed terms are an accepted feature of a number of states and territories in Australia. We have recently had elections in the Northern Territory and in Western Australia which were called early. I think we have observed the consequences of that. The Northern Territory Chief Minister, to his credit, announced after the Northern

Territory election that the government would introduce fixed four-year parliamentary terms to provide more certainty to the electoral process. He said:

The decision to go to an early election has been shown to be a concern to many Territorians.

I think he has learnt from the experience of the early election. I note also that the opposition leader in the Northern Territory welcomed the announcement, saying it was a 'good day for democracy'. He also said that fixed parliamentary terms will save Territorians 'time and money' by ending opportunistic early elections. The specific deduction provisions in division 30 of the Income Tax Assessment Act currently allow deductions for contributions and gifts to political parties, independent candidates and independent members up to a maximum of \$1,500. These provisions will be repealed. Also, to ensure that deductions are not available to business taxpayers, they will no longer be able to deduct a contribution or gift to political parties, candidates or members under general deduction provisions. Taxpayers will be unable to claim deductions for political party membership fees.

I note that the Liberal and National parties have been opposed to this bill. I know that other political parties—the Greens and Family First—have been supportive of this bill. It is clear to me that the coalition parties are more interested in ensuring that they can receive donations from supporters than in either responsible fiscal management or transparency and disclosure. This is of a piece with the other decision made by the Liberal Party in opposition to greater integrity in electoral laws where it sent the Commonwealth Electoral Amendment (Political Donations and Other Measures) Bill 2008 off to a parliamentary committee and gave it a year—until 30 June 2009—to report. This was a deceitful tactic designed to let the Liberal Party avoid any vote on the bill and to hide their unwillingness to support greater openness, accountability and fairness in our electoral laws. No genuine review or consultation on this bill could possibly require a full year or more.

In terms of the passage of the Tax Laws Amendment (Political Contributions and Gifts) Bill 2008 being delayed, political donors will continue to be able to hide their identities while donating up to \$10,500 to candidates or political parties—or, indeed, more, if they exploit the loophole which enables them to donate to the state branches of the same political party. This bill would reduce the donation disclosure threshold from the current \$10,500 to \$1,000—that is, reversing the previous government's efforts to cover up donations of thousands of dollars. Just to point out the impact of this: in 2004-05, when the threshold was \$1,500, there were 1,286 returns lodged. So there were many donor returns. In 2006-07, the number of submissions plummeted to just 194—so something like 10 per cent of the number of donor returns we had been able to see before the previous government lifted the disclosure threshold.

I believe the community has a right to know who is giving what to whom. In contrast, the Liberal Party wants to keep donations hidden in the shadows. Now we have a delay which is allowing candidates and parties to continue to be able to make a profit from public election funding. It is extraordinary that the opposition is prepared to allow this rort to continue and is not willing to vote with the government to close this practice down. Other urgent reforms which have been sent into legislative limbo include the banning of overseas and anonymous donations and a twice-yearly disclosure and reporting obligation on political parties.

In so many ways the opposition has shown that it is not interested in campaign finance reform. It is not interested in greater transparency and accountability, and it is all too willing to continue with the policies it introduced in government which damaged accountability and transparency. In this debate, we have had the member for Casey say that these issues should go to the Joint Standing Committee on Electoral Matters. So he urges delay. But the point is: this is an election promise. The Liberal Party should respect the will of the voters. The member for Casey also said that tax deductibility for campaign donations was an initiative of the Hawke government. Indeed, it was. But, in its original form, it was limited to \$100. It was a minor matter. It was dramatically opened up, by the previous government, to \$1,500. That created a completely different scenario and opened up opportunities for influence-buying, particularly by corporate interests. So it became not simply a small matter for individuals who could donate up to \$100 but a significant capacity for corporations to seek to influence our political process through campaign donations. I do not think that this issue should be allowed to raise the risk and prospect of influence-buying and, as a result, I do not think we should have tax deductibility for election donations.

The member for Casey said that everything should be looked at together. That is nonsense. We have an express election commitment here. We are entitled—indeed, it is our obligation—to bring this election commitment to the parliament. The opposition say, ‘We need to link this up with all the other electoral matters’—this is among some of the things I have been discussing. But there are two problems here. The first is: what is their position on these matters? Frankly, in terms of election disclosure, they are trying to block those things as well. In terms of the piecemeal approach, I notice that what they are arguing for here is absolutely at odds with their position on pensions where they say: ‘We’ve got no interest in a thorough review. We’ll just go for the stunt.’ This is yet another case of the Liberal Party blocking a budget measure. This is a small one but there are other more serious holes that they are seeking to blow in the budget.

In support of their position, the Liberal Party makes outrageous claims, such as: ‘What is at stake is democracy.’ That is laughable. People will still be free to make donations to political parties to their heart’s content. All Labor is saying is: ‘If you make a campaign donation, it ought to be transparent. People ought to know about it. If you’re going to make a donation, do it with your own money. Don’t do it with taxpayers’ money.’ Labor’s position is not something which endangers the health of Australian democracy. On the contrary, it is something which strengthens the health of Australian democracy. We are fortunate to have a very healthy, robust democracy, but one of the blots on it is the influence of campaign donations—particularly corporate campaign donations.

The member for Cook suggested in his contribution that the basic objection to this was around the issue of timing. He spoke in favour of campaign finance reform. If you are sincere about campaign finance reform, vote in favour of this bill. It is very hard to believe his contention that the only problem is the problem of timing when other speakers speak about this as an attack on democracy, when the Liberals have voted down this measure in the Senate before and, indeed, it was the Liberals who introduced this measure during the last parliament in the teeth of Labor opposition.

The member for Cook said, in response to Labor’s observation that we are implementing an election policy commitment, that we had been pretty quiet about it. He said that there had been just the one press release. That is absolute nonsense. When the former government introduced the Electoral and Referendum Amendment (Electoral Integrity and Other Measures) Bill back in 2005-06, we

spoke and voted against it. Quoting myself takes me into the realms of Malcolm Turnbull, but I take the House back to March 2006—

The DEPUTY SPEAKER (Hon. Peter Slipper)—Order! The honourable member ought to refer to the Leader of the Opposition by his title.

Mr KELVIN THOMSON—The Leader of the Opposition, Mr Deputy Speaker. I said in March 2006:

To make matters even worse, the Liberal Party also plans to deliver a huge tax break for campaign donors, lifting the amount that can be claimed as a tax deduction from \$100 to \$5,000. Why should someone get a tax break for donating to a political party?

So I said it very clearly back then: you should not get a tax break for donating to a political party. As I said:

Tax deductibility for political donations should be abolished, not increased. ... it is naked, shameless self-interest—the Liberal Party putting its own political advantage ahead of the national interest and a clean, corruption-free political system.

That was in the debate in March 2006. The then Leader of the Opposition, the Hon. Kim Beazley, in October 2006 announced the Labor policy to abolish tax deductibility. That was reconfirmed by the shadow minister for finance as part of an election commitment in March 2007. It appeared in Labor's national conference decisions and announcements. So we have been very clear about this. We have been on the record all the way through as saying we oppose the tax deductibility.

The member for Cook says the problem is the need for so much money to fund election campaigns. And he is right about that; that is quite true—it is a problem. We are acting here to reduce the amount of money available for spending on election campaigns, and the member for Cook is opposing that. That is regrettable. The member for Cook and the member for Stirling claim to be supporting campaign finance reform but their actions speak louder than words.

Australia has an A-grade democracy. We should give thanks every day of our lives that we live here. But that does not mean that it is perfect. We should not be complacent; we can do better. We should safeguard our democracy against attack. I believe that the previous legislation was corrosive of our democracy. What we are doing here to restore transparency and accountability is absolutely right and it ought to be supported by members opposite.

Debate (on motion by **Ms Roxon**) adjourned.

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