Australia Dossier by Robert Barwick

New tax will savage economy

The Howard government's new business tax "reforms" will loot the economy to prop up the speculative bubble.

Millionaires in Australia will soon be paying less tax on investment income than factory workers pay on wages, following the Howard government's adoption in September of the "Ralph Review's" outrageous recommendations on business tax reform. As of Oct. 1, Australia's capital gains tax for individuals will be halved, leaving most people obligated to pay an astoundingly low tax of only 15 to 20% on the sale of stocks or real estate.

The government also adopted other Ralph Review recommendations, including slashing taxes on foreign investment, which will allow big U.S. and British investment funds to buy up even more of the country, and cutting the company tax rate, from 36% to 30%. These giveaways will be paid for by scrapping much of the accelerated depreciation allowance, one of the few remaining pillars of what is left of the physical economy.

The Review committee had been commissioned by Treasurer Peter Costello more than a year ago, to advise the government on business tax reforms to make Australia more "internationally competitive." The Ralph Review is one facet of a sweeping, British Crown-directed reorganization of Australia's financial and military affairs, that has been under way since a 1995 report by Britain's Royal Institute for International Affairs, "Economic Opportunities for Britain and the Commonwealth," recommended building up Australia as Britain's base from which to loot Asia. (See *EIR* 1997 Special Report, "The True Story Behind the Fall of the House of Windsor.")

Review head John Ralph is one of the Queen's senior representatives in Australia. He heads her private Australian charity, the Queen's Trust, and is the former chairman and CEO of the mining giant CRA, the Australian wing of the world's largest mining company, Rio Tinto, which has since merged with its parent. Queen Elizabeth is the dominant stockholder in Rio Tinto, whose present and "former" executives dominate most corporate boards in the country.

The Ralph Review is a re-run of the disastrous early 1980s Kemp-Roth bill in the United States, which slashed capital gains taxes and fostered the build-up of the largest speculative bubble in history. The Ralph recommendation to lower the company tax rate from 36% to 30%, will provide an immediate $2.4 billion windfall for the profits of big business, which are already at record highs. It also opens a massive loophole for tax avoidance, as it enables high-income earners to switch their affairs so that they could pay the 30% company rate, rather than the 47% top marginal income tax rate.

Costello claimed he would try and close the loophole, but said that "drawing a line" was a "very delicate and difficult process." The previous Labor government had passed the current capital gains tax after a series of scandals erupted about tax frauds by the wealthy amounting to tens of billions of dollars.

The revenue losses caused by the Ralph measures will be paid for by scrapping most of the accelerated depreciation allowance (which allowed businesses to write off the value of their plant and equipment at a faster rate than they actually depreciated)—a savage blow to the physical economy.

While looting the physical economy, the Ralph plan will further inflate the speculative bubble—just as it was designed to do. Amazingly, before he put forward his proposal to halve the capital gains tax, Ralph asked the Australian Stock Exchange (ASX) to conduct research into the effects of doing so, ostensibly because the federal Treasury, which is responsible for such research, "couldn't afford it." As expected, the ASX's study strongly recommended such a cut, by which untold billions will pour into the stock market. Australia's 4.4 million shareholders already represent the second-largest percentage of stock-owning population in the world, after the United States, and the country will soon fulfill—right on the edge of the greatest financial crash in human history—Prime Minister John Howard's vision of Australia as "the greatest share-owning democracy in the world."

The Ralph Review is the second installment in a major overhaul of the taxation system which began last June, when the goods and services tax (GST) was passed, introducing a regressive 10% consumption tax. The tax changes are provoking outrage among the poor and middle class. "Once again the government is giving excessive benefits to a privileged few at the expense of providing services that unite and benefit us all," said Father Nic Frances, the executive director of the Brotherhood of Saint Lawrence.

With the GST in place, whose rates can be further raised at a moment's notice, and with business taxes now slashed, it is clear who is going to wind up paying the many additional billions in taxes required to support Australia's British-directed gambit in East Timor, and an expected dramatic military build-up.