

# **AUSTRALIAN COUNCIL FOR THE DEFENCE OF GOVERNMENT SCHOOLS**

## **PRESS RELEASE 638#**

### **Paying for Public Education: A Revenue and NOT a Spending Problem**

The Government's mantra that Australia has a 'spending problem' so public services must be cut - is wearing thin. The so-called 'Spending problem' is a **Tax Revenue problem**. The emperor's clothes are in tatters, if not invisible.

Australia is not the only country in the Western World with the problem . Multinational Corporations and the world's 1% of wealthy individuals have enriched themselves and starved the 99% of resources for basic rights like food, shelter, health and education. How? With tax 'havens'. Religious multinationals may moralise about this situation – but they, as 'charities' are tax exempt!

Trevor Cobbold of Save our Schools has provided an answer to the Australian Government's public education funding problems at <http://www.saveourschools.com.au/media-releases/media-release-government-could-easily-fund-gonski-plan> while Oxfam have Timed to coincide with this week's gathering of many of the super-rich at the annual World Economic Forum in Davos, the report calls for urgent action to deal with a trend showing that 1% of people own more wealth than the other 99% combined. <http://www.theguardian.com/business/2016/jan/18/richest-62-billionaires-wealthy-half-world-population-combined>

#### **Trevor Cobbold on Revenue Problem**

The analysis published on 14 January by Save Our Schools (SOS) shows that the Federal Government has a potential revenue pool of at least \$34 billion a year to finance the \$7 billion needed to fund the last two years of the Gonski plan.

SOS National Convenor, Trevor Cobbold, said that the Government could easily fund Gonski by reducing several tax concessions to high income earners and by clamping down on rampant tax evasion by high income earners and large Australian and multinational corporations.

The SOS analysis shows that the potential revenue gains per year are:

**High income earners (top 20%)**

Superannuation: \$16.3 billion

Capital gains: \$4.7 billion

Negative gearing: \$2 billion

Family trusts: Not quantified

Overseas tax havens: Not quantified

Total: \$23 billion

**Corporate tax evasion**

Large Australian public companies: \$4.2 billion (50% of Tax Justice Network estimate)

Overseas companies: \$2 billion (scaling up of International Centre for Tax and Development estimate)

Total: \$6.2 billion

**Other tax concessions**

Refund of unused dividend franking credits: \$4.6 billion

**Grand total: \$33.8 billion**

Mr. Cobbold said that even a partial claw-back of revenue lost through these tax concessions and corporate tax evasion would fund Gonski.

“The funding needed to finance the average \$3.5 billion a year for each of the last two years of Gonski is only 10% of the total tax revenue forgone annually. In addition, there are many more tax shelters that provide significant benefits to high income earners and corporations.

“The Turnbull Government should stop using the Budget deficit as an excuse not to fund the last two years of Gonski. Labor should stop dithering about committing to the plan it devised while in government.

“The fundamental question is whether the Turnbull Government (and the Labor Opposition) is prepared to make the wealthy and big business pay their fair share of tax and invest it in reducing disadvantage in education to improve the lives of the low income students, improve workforce skills and participation and increase productivity.

“If the Prime Minister really believes in the need to develop an innovative, agile, knowledge-based economy it should be a straightforward choice. A high performing education system with minimum levels of disadvantage means a high performing economy.”

**The Oxfam Report**

The vast and growing gap between rich and poor has been laid bare in a [new Oxfam report](#) showing that the [62 richest billionaires](#) own as much wealth as the poorer half of the world's population. The richest 1% now have more wealth than the rest of the world combined.

Timed to coincide with [this week's gathering of many of the super-rich at the annual World Economic Forum in Davos](#), the report calls for urgent action to deal with a trend [showing that 1% of people own more wealth than the other 99% combined](#).

The report says that power and privilege is being used to skew the economic system to increase the gap between the richest and the rest. The global network of tax havens has enabled the rich to hide trillions of dollars in assets from governments. This is depriving governments of resources needed to fund vital public services such as education and health.

The report shows that:

- In 2015, just 62 individuals had the same wealth as 3.6 billion people – the bottom half of humanity. This figure is down from 388 individuals as recently as 2010;
- The wealth of the richest 62 people has risen by 44% in the five years since 2010 – an increase of more than half a trillion dollars (\$542bn) to \$1.76 trillion;
- Meanwhile, the wealth of the bottom half fell by just over a trillion dollars in the same period – a drop of 41%;
- Since the turn of the century, the poorest half of the world's population has received just 1% of the total increase in global wealth, while half of that increase has gone to the top 1%.

Oxfam says that the global network of tax havens is at the heart of growing inequality. It has enabled the richest individuals to hide \$7.6 trillion in assets. If tax were paid on the income that this wealth generates, an extra \$190bn would be available to governments every year.

Exploiting tax loopholes and engaging in large-scale tax avoidance are integral components of the profit-making strategies of many multinational corporations. Companies can artificially shift the ownership of assets or the real cost of transactions to paper subsidiaries in low-tax jurisdictions or jurisdictions that do not require disclosure of relevant business information. Profits disappear from countries where real economic activity is taking place and re-appear in tax havens.

The existence of tax havens in particular allows income and wealth to flow offshore, untaxed and in secret – a legal means created for the rich to stay rich and to prevent essential redistribution that would reduce inequality and benefit society overall. (p.34)

Oxfam analysed 200 of the world's largest companies and found that 9 out of 10 of them had a presence in at least one tax haven. In 2014, corporate investment in these tax havens was almost four times bigger than it was in 2001.

In 2012, for example, US multinationals reported \$80bn of profits in Bermuda – more than their reported profits in Japan, China, Germany and France combined. This huge amount clearly does not reflect the real economic activity taking place in Bermuda, where total sales account for only 0.3% and the share of total number of employees or total wage costs is a tiny 0.01–0.02%.

The report says that the global system of tax avoidance is sucking the life out of welfare states in the rich world. It also denies poor countries the resources they need to tackle poverty, put children in school and prevent their citizens dying from easily curable diseases.

Widespread tax avoidance puts pressure on government budgets, which in turn leads to cuts in vital public services such as education and health. It also means governments increasingly rely on indirect taxation (like the GST) which falls disproportionately on the poorest people. [The president of Oxfam America, Raymond Offenheiser](#), said:

Tax havens are at the core of a global system that allows large corporations and wealthy individuals to avoid paying their fair share depriving governments, rich and poor, of the resources they need to provide vital public services and tackle rising inequality.

The report says that market fundamentalism lies behind the increase in global inequality:

Economic and policy changes over the past 30 years – including deregulation, privatization, financial secrecy and globalization, especially of finance – have supercharged the age-old ability of the rich and powerful to use their position to further concentrate their wealth. (p.4)

It says that increasing global inequality is not an accident. It is the result of deliberate policy choices, of governments listening to the 1% and their supporters rather than acting in the interests of the majority.

It is time to reject this broken economic model. Our world is not short of wealth. It simply makes no economic sense – or indeed moral sense – to have so much in the hands of so few.... We have the chance to build a more human economy, where the interests of the majority are put first. A world where there is decent work for all, where women and men are equal, where tax havens are something people read about in history books, and where the richest pay their fair share to support a society that benefits everyone. (p.6)

The report calls on governments around the world to prioritise policies to increase financing for free public health and education to fight poverty and inequality at a national level. It says that governments should refrain from implementing unproven and unworkable market reforms to public health and education systems, and expand public sector rather than private sector delivery of essential services.

It says that this can be done by shifting the tax burden away from labour and consumption and towards wealth, capital and income from these assets; increasing transparency on tax incentives; and introducing national wealth taxes.

Until the global tax system is changed and there is fairer global governance of tax matters, tax evasion will continue to drain public budgets and undermine the ability of governments to tackle inequality. See Trevor Cobbold at <http://www.saveourschools.com.au/national-issues/oxfam-says-that-global-tax-avoidance-is-starving-funding-for-vital-public-services>

DOGS say that what is required is a modicum of political will among our politicians to tackle tax avoidance and tax minimisation.

What is required among the religious multinationals is adherence to the Biblical precepts in Proverbs 11:1-13.

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