



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**THE SENATE**

**PROOF**

**QUESTIONS WITHOUT NOTICE**

**Financial Transactions Tax**

**QUESTION**

**Tuesday, 24 March 2015**

BY AUTHORITY OF THE SENATE

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## QUESTION

**Date** Tuesday, 24 March 2015  
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**Questioner** Lambie, Sen Jacqui  
**Speaker**

**Source** Senate  
**Proof** Yes  
**Responder** Cormann, Sen Mathias  
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### Financial Transactions Tax

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**Senator LAMBIE** (Tasmania) (14:38): My question is to the minister representing the Treasurer, the finance minister. I note that the Abbott government struggles to find budget savings which do not target Australia's aged pensioners, and that increasing the retired age to 70 or altering pension indexation rates in favour of the government still has not been ruled out by the Treasurer. I also note that the Abbott government struggles to ensure the banks and large financial corporations are made to pay their fair share of taxes and properly contribute to the government revenue. Given that France, Italy and many other European countries have lessened the burden on their ordinary taxpayers and created new revenue schemes by introducing financial transaction taxes, which target banks and large financial corporations, apart from not wanting to upset people who donate generously to the Liberal Party, can the minister explain why his government will not introduce targeted financial transaction taxes in order to help repair the Australian budget?

**Senator CORMANN** (Western Australia—Minister for Finance) (14:39): I thank Senator Lambie for that question. It is a fair question. What I put to Senator Lambie is this: our objective is to make sure that all of the Australian government benefits and services are affordable and sustainable over the medium to long term—indeed, forever. We want to ensure that the aged pension, disability pension, medical benefits, pharmaceutical benefits—all of the important benefits and services provided by government—are sustainable and affordable in the economy forever. The trajectory that we have been on as a country was taking us to 37 per cent government spending as a share of the economy. The highest level of revenue as a share of the economy ever, in the history of the Commonwealth, was 26.2 per cent, so there is a growing and rising gap.

Senator Lambie asked me: why don't we just increase taxes? If we were to chase an unsustainable spending growth trajectory, taking us to government spending of 37 per cent of a share of the economy with tax revenue at that same level, we would kill the economy, we would make our economy uncompetitive internationally and we would cause massive increases in unemployment. We would lessen opportunity and lessen living standards. These are not easy and happy decisions for governments to have to make. But if you have to make a transition to ensure that pension payments are sustainable and affordable in the economy, over the long term, then the best thing you can do is to make sure that you take people through that adjustment in a gradual, incremental way to ease the transition. And making adjustments to indexation arrangements—bearing in mind that CPI, right now, is running above male total average weekly earnings as an index—is an incremental, gradual way to help people through that transition to adjust to a more sustainable pension arrangement into the future. That is what we want to do. On the other side, we have also got a proposal in the budget, of course—(*Time expired*)

**Senator LAMBIE** (Tasmania) (14:41): Mr President, I ask a supplementary question. I note that the minister still prefers to target pensioners for tax increases rather than his mates in big business. Is the finance minister aware of a particular type of financing trading company which is usually co-located in or near stock exchanges that, by the use of super-computers and sophisticated software, are able to skim billions in profits from ordinary retail investors? If so, would the minister agree that this sort of company using high-frequency trades would be a good candidate for a financial transactions tax?

**Senator CORMANN** (Western Australia—Minister for Finance) (14:41): I thank Senator Lambie for that supplementary question. The challenge, when it comes to proper tax policy and the best possible tax design, is how can we raise the necessary revenue to fund the important services of government in the most efficient way possible, in the least distorting way possible in the economy, so that we do not detract from economic growth and job creation opportunities. So the conversation we need to have—bearing in mind that there is no opportunity here to increase taxes with a 'the sky is the limit' approach—is—

The PRESIDENT: Pause the clock!

**Senator Cameron:** Mr President, I rise on a point of order on relevance. The question went clearly to a type of company operating near the stock exchange that should be taxed. That was the question, and the answer has not gone near that question.

The PRESIDENT: The question had an additional element than that, Senator Cameron, and the minister has 24 seconds in which to answer the question.

**Senator CORMANN:** The point I am making is that if we want to maximise economic growth and opportunities for people to get ahead, we need taxes to be as low as possible—as high as necessary, but as low as possible—to be as efficient as possible and to be the least distorting in the economy as possible. And we will be having a tax white paper review process, which can consider any suggestions on how the tax system can be improved. But I would not lock myself into any particular options at this point, because we have to go through a process. *(Time expired)*

**Senator LAMBIE** (Tasmania) (14:43): Mr President, I ask a further supplementary question. I bring to the attention of the minister a report from the Australia Institute, which claims that if a financial transactions tax were only levied on a high-frequency share and stock traders who skim profits it would conservatively raise between \$1 billion and \$1.4 billion while saving mum-and-dad investors about \$2 billion. If this is accurate, will the minister give an undertaking to introduce this tax and dedicate its income to boosting our veterans and age pensions?

**Senator CORMANN** (Western Australia—Minister for Finance) (14:44): I am aware of the Australia Institute. They are, indeed, an active participant in public policy debates across Australia. I am very confident that they will be making a submission to our tax white paper review process when it is initiated very soon. But, again, I would put a bit of a caution out there. Our objective ought to be to raise the necessary revenue for government—as little as possible but as much as necessary—in the most efficient way possible, so we can continue to grow the economy to its full potential, so we can continue to create better opportunities for people across Australia to get ahead and so we can continue to ensure that future generations, our children and grandchildren, can have the best possible opportunity to enjoy the same, if not better, living standards than those that are enjoyed by us today.

**Senator Lambie:** Mr President, I rise on a point of order. I simply asked the minister if he would give an undertaking to introduce this tax. Would he at least look at it instead of just pushing me to the side. We are giving you other options here. I am simply asking you—

The PRESIDENT: Order! Senator Lambie, you have raised your point of order. Minister, you have five seconds in which to answer the question.

**Senator CORMANN:** I am not pushing anyone to the side, but I am also not going to lock the government into a new tax. *(Time expired)*