



St Mark's Review

A journal of Christian thought & opinion

No. 235, May 2016 (1)

A TAXING ISSUE

Christian perspectives on economics
and tax reform in Australia



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Editorial

A taxing issue: reflections of Christian economists on tax reform in Australia

Benjamin Franklin famously linked taxes and death—both alone being certain. This linkage between tax and death finds an echo in contemporary Australian public policy debate. Tax policy in Australia appears to be a deadly business. First, it is an arcane art of the most mystifying expert cult—the tax economist—which can be truly mortifying to the senses of the common taxpayer. It is so technical that it can bore one to death in seconds. It is also a deadly battlefield in political debate, as the Government’s failed offensives on GST reform and income-taxing powers for States and Territories have shown. And then there is the political ‘iron maiden’ of negative gearing tax concessions—an Omaha Beach assault—from the Labor Opposition. Tax policy is certainly deadly—all we need now to complete the process of mortification is a debate on death taxes! However, we have now been told that superannuation tax concessions have become a proxy for tax concessional inheritance strategies, so the deadly nature of the tax debate will roll on.

Although mortifying, it seems that all of the creatures in the vast kingdom of the policy world seem to want to speak on the issue. Among these many creatures is an interesting species, rare but not endangered: the Christian economist or the theological economist. It is not a species native to Australia, but it appears to thrive in the antipodes. This issue of *St Mark’s Review* gathers the reflections of some of the members of this species (which has its own internal diversity) in order to show how the theological economist can contribute to public policy debate in Australia. The question posed is this: What can Christian thought say about tax policy in contemporary Australia?

The first point to be made in this taxing debate is the imposition of a high levy for the theological economist approaching tax policy. This collection of the thinking of Christian economists probably shows that there is no such thing as a specifically Christian tax policy. Geoff Brennan’s challenging contribution denies Christians any biblical warrant for pursuing specific taxation reform measures. This is because, he argues, the ‘Bible is

not a textbook in public finance (any more than it is one in evolutionary biology)'. He also notes that Christian churches have their own interests in this matter, not least in relation to their defence of the tax concessions they enjoy. My own contribution on Pope Francis' emerging approach to economics concedes the same point: Catholic social teaching is a broad interpretive framework for evaluating public policy to pursue the common good. It does not and cannot prescribe specific models of reform that are contingent on a myriad of economic considerations, and which are specific to a fiscal time and place. The Christian voice on tax policy is just one voice or chorus of voices amid a throng of other voices; it cannot claim to be singing from some celestial choir stall.

Granted these caveats, the installed choir of Christian economists nevertheless sounds a strong and consistent refrain. This chant is that taxation policy perspectives must reflect a distributional bias towards those on lower incomes. Tax policy is a matter of distributional—not commutative—justice. Baptist Care Australia (BCA), an innovative Christian social services provider and peak agency, has outlined a justice lens for tax policy. BCA calls for reforms that shift the focus from tax management strategies, so prevalent in the practice of tax advisers, to a broader focus on expanding the tax system to fund delivery of social services (see the article by Long, Campbell, and Kelshaw). Sharpe's contribution is a telling examination of the how the tax system in Australia has failed to be the agent of the income redistribution that Catholic social thought has advocated. Sharpe identifies an alarming 'hollowing out of the middle' in terms of the increasing tax burden placed on average working Australians, relative to the lower burden placed on higher income earners. It is a sobering piece of economic analysis that cannot but awaken the serious public policy professional to the fact that the Australian tax system is losing its redistributive focus. Asher's article offers a strong basis for assessing justice in the evolving narrative of the people of Israel and Christian biblical communities. Justice favours the 'widows and orphans', and Asher shows how this sense of justice seems to have been lost through the preferential tax treatment of residential housing in Australia. Clarke and Menzies' contributions echo these themes. These Christian economists highlight how the Australian tax system has moved away from what Christians see as the basic ethics of redistribution.

The choir also sings a number of new cadences, particularly in new proposals for tax reform that are seen as aligning with Christian ethics.

Long sees in Pope Francis' emerging approach to economics a call to curb the excesses of a consumerist society that is consistent with increasing the GST tax take to fund progressive social services. Brennan sees that the key issue for the Christian economist is to accept the need to increase the tax base. Menzies supports this view, while arguing that tax and welfare reform must also support individual effort. Baptist Care Australia's paper also calls for reform to reduce unethical tax avoidance and produces analysis to show that increasing the tax on superannuation contributions (from 15 per cent to half the marginal tax rate) would yield significant revenue to fund social services. Sharpe proposes the creation of a 'fairness fund' to fuel social investment and counter disadvantage. This can be partially funded by retention of the Budget Repair Levy on higher income earners.

A further key theme is the need for a serious approach to land tax. Clarke's insightful paper calls for land to be seen as a 'gift' enjoyed for the common good, rather than as personal property, and argues for a broad-based levy on land. Asher makes a similar call for the tax base to more adequately capture the gains in land value enjoyed by higher income earners. Clarke and Asher's arguments resonate with Ken Henry's conclusions in his submission on the Future of the Australian Tax System. Nevile's contribution calls for a change in focus away from monetary policy towards macroeconomic policy and full employment. He argues that tax policy should focus on funding active labour market strategies to pursue reduction in unemployment.

Christian economists seem to be calling for tax reform that is more progressive; that provides for increases in tax revenue to fund social expenditure; and that eliminate loopholes enjoyed by richer Australians. They base their conclusions on Christian biblical narratives and Catholic social teaching. Still, as economists they see that this call for an enhanced revenue base unifies their theological and economic views. Christ called for us to render to Caesar what was Caesar's, and to God what was God's. In order to better render the wealth of our nation for God, Christian economists contend that we need to be open to rendering more of our own income through increasing the tax base—for the sake of others, for the sake of the common good.

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