

## Australia risks being left behind as America becomes great again



**By Grace Collier, Saturday January 7, 2017**

Forget about trade with America, foreign relations and all the other topics highbrow commentators love to ruminate about. Stephen Moore, senior economic adviser to president-elect Donald Trump, said recently on BBC radio that dramatic tax cuts are the “single most important thing for our country right now”. If Trump gets his way, and it seems he will, we could face a major crisis.

Trump plans to transform America into the most attractive business destination on the planet. The US is a beautiful country, and very shortly it could become a veritable tax haven. If it does, the world’s capital will be unable to resist its pull.

The US is now the highest corporate taxer in the OECD. According to experts, the rate is almost 40 per cent. Trump plans to make it 15 per cent, a rate that will be the second lowest in the OECD. US companies hold \$US2.4 trillion (\$3.3 trillion) in capital outside the US because they don't want to pay high rates of tax. Trump is offering a 10 per cent tax rate to all those who bring that money home.

US personal tax rates will be slashed too, but ordinary workers will be allowed to “incorporate” themselves and pay company tax instead. Think about that. The highly skilled can work here and pay 49 per cent, or they can work in the US and pay 15 per cent. These policies could mean for us a brain drain and a flight of capital.

In Ireland — the lowest corporate taxer in the OECD — politicians are ringing the alarm bells, loudly. In November, the *Irish News* quoted Alan Kelly, Labour Party spokesman on jobs, enterprise and innovation, as saying: “Our 12.5 per cent corporation tax rate has been the cornerstone of our industrial strategy for nearly two decades. If Mr Trump follows through on plans to slash the US corporate tax rate to 15 per cent, it could undermine the effectiveness of our corporate tax rate to attract business to Ireland.” Kelly pointed out that US investment in Ireland stood at \$US343 billion and that the British government had “mooted proposals” to reduce its corporate tax rate to 15 per cent or lower. “We now need to fundamentally reassess and consider our future strategy on attracting foreign direct investment,” he said.

When even the Irish Labour Party is talking like this, how concerning then that Malcolm Turnbull has not grasped the nettle. We might have just as much to lose, perhaps more, than Ireland. The US is easily the biggest direct investor in Australia — \$US174bn in 2015 — and yet our government seems blind to the danger of that money disappearing very soon.

Trump's tax plans are easily available online; I urge you to examine them. A competent cabinet would have war-gamed the scenario last year, examined a financial analysis, considered the potential impact on our economy, and formed some draft policy outlines in response. But no, the Coalition team is caught in blissful ignorance and lazy complacency. With rare exceptions, when Trump's plans are explained, their responses range from lack of interest to wonder or disbelief, and there is scoffing at the chances of them coming to fruition. Trump differs from our Prime Minister in many ways but, notably, Trump is not timid, he knows no fear. Plus, he controls congress now. Why would he water down his tax plans?

Key business people are sounding warnings, including ANZ chairman David Gonski. Last month, *The Canberra Times* reported Gonski as asking: “If it is the case that corporations in the US are taxed at 15 per cent, why would new technologies, why would any corporations wish to, basically, be here?”

The answer, of course, is that they won't, and neither will a great many people. As soon as Trump's plans are enacted, anyone who can will leave and there is nothing we can do to stop them. Governments cannot hold people and their capital hostage; they can only make their own country an attractive investment destination. I'm sorry to say this but Australia is already pretty unattractive.

One Nation is keen to initiate major tax reform. It knows we need it desperately. But Coalition types say they can't push for big tax cuts because of criticism from the opposition. Bill Shorten makes snide references to a \$50bn tax cut going into the pockets of "big business". Yet the obvious retort has never been made: yes, tax cuts for big business mean bigger profits for the owners of big business, but who are the owners of big business? The shareholders, direct investors and anyone with a superannuation account.

Big tax cuts for business will protect our economy, drive jobs and growth, and put more money in the pockets of ordinary people. The Prime Minister must formulate a plan for bold and urgent cuts in both business and income taxes, and advocate them strongly. For our nation, this has to be a "come to Jesus" moment.

Finally, I don't want to hear the excuse that we cannot afford big tax cuts — because, soon, we won't be able to afford not to make them. Once the money and people are gone it will be too late.

Besides, cutting tax isn't something you do only once you have reserves. Cutting tax is a "build it and they will come" kind of thing. Trump recognises this. When he slashes taxes, America will be flooded with capital — much of it having taken flight from here.

Trump is about to build America a grand future and we are about to have our future come crashing down around our heads.

**Link:** <http://www.theaustralian.com.au/opinion/columnists/grace-collier/australia-risks-being-left-behind-as-america-becomes-great-again/news-story/ae20c24b2a2730aea63958b16f4e8a15>