



## LABOR'S NATIONAL CONFERENCE ADOPTS THE BUFFETT RULE

**Jon Stanford**

At the Labor Party's National Conference held at Melbourne in July 2015, Anthony Albanese introduced and spoke to a motion on the Buffett Rule. He had used research commissioned by the political activist group, *GetUp*, to support the case for the Buffett Rule. The motion was carried without dissent and now has become policy for the party.

The Buffett Rule originated from an observation made by billionaire Warren Buffett in the USA that his secretary paid a higher rate of income tax than he did. He thought this unfair.

The US tax system has become very unfair over the last 50 years. Today the wealthiest one in 10,000 taxpayers pay 25 per cent of their income in Federal income tax whereas in 1960 they would have been faced with a 50 per cent tax rate. Average tax rates for wealthy Americans have declined sharply, even though their incomes have increased substantially. The after-tax income of the top one per cent of American taxpayers has risen by 400 per cent as contrasted with a 40 per cent rise for the middle 60 per cent of Americans.

President Barak Obama proposed the Buffett Rule as a basic plank of tax fairness and as a necessary reform of the US tax system. Obama's formulation of the Buffett Rule was that no millionaire should pay less than 30 per cent of their income in taxes.

In Australia, *GetUp* have claimed that, according to new data released by the Australian Taxation Office, 55 people earning more than \$1 million per year paid no tax in 2012-13, thanks to aggressive tax avoidance. They argued that introduction of the Buffett Rule in Australia would claw back annually \$2.5 billion from the richest one per cent of Australians.

Matt Grudnoff of *The Australia Institute* which carried out research on the Buffett Rule in Australia for *GetUp* explained that the Rule makes aggressive tax planning ineffectual as there is a minimum rate of tax payable irrespective of how much can be deducted from taxable income. *The Australia Institute's* research suggests the minimum rate should be 35 per cent. He explained further that:

The beauty of the Buffett rule is that it doesn't try to close tax loopholes only to have very clever accountants find new ones, it simply makes deductions after a certain point worthless. It forces very high income earners to pay their fair share of tax. The Buffett rule is only designed to target very high income earners who aggressively avoid paying tax. So our proposal is that it only applies to those earning more than \$300,000 a year i.e. to the top one per cent of taxpayers.<sup>1</sup>

---

<sup>1</sup> <http://www.tai.org.au/content/closing-tax-loopholes-buffett-rule-australia>.