



EMBARGO: 7.00 p.m.

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PRIME MINISTER

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ELECTORATE TALK

The Government's second Budget - delivered by the Treasurer last week - is a Budget of real reform. It continues with the great reforms we commenced last year. It recognises that people want to be able to make decisions that affect their own lives, and that they want freedom to choose.

At the same time, the Budget gives reality to our complete commitment to help those most in need. Our tax reforms offer renewed hope for millions of Australian men and women burdened by the yoke of crippling taxation on their incomes.

Make no mistake, my Government's tax reforms are the greatest single reform of our tax system ever introduced by any Government in this country. This reform with its new system of tax calculation, rewards initiative, provides incentive and taxes fairly. This is precisely what a tax is supposed to do.

My Government has always maintained that the present personal tax system hits too hard at the pay packets of all Australians. We have been one of the highest taxed nations in the world. We have admitted this fact - but we have also done something about it.

Last year we introduced tax indexation, which stopped governments taking an even larger share of incomes simply because of inflation. We stopped this unlegislated tax grab by Canberra. That was the first step. Now we have introduced a three-tiered standard rate of taxation, that will start from February 1.

This system is one of the most advanced in the world. Principally, it means that nearly 90 percent of taxpayers will pay only 32 cents standard rate of tax. For a person on average earnings of about \$10,000 there is a built-in incentive to earn another \$6,000 - either in salary or overtime - without being forced into a higher tax bracket. Three typical weekly salary rates demonstrate the savings from tax indexation and our new reform. The taxpayer with dependent spouse, earning \$140 a week will save \$4.87 a week. The same taxpayer earning \$200 a week will save \$6.67 a week, while the taxpayer earning \$280 a week will save \$15.33 a week.

Despite the tactics of the Labor Party to deliberately confuse the community on the extent of this reform, the plain fact remains - every Australian taxpayer will be better off.

The actual cost to my Government in lost revenue of our tax reforms in this financial year will be more than \$1300 million. That is made up of full tax indexation, costing \$965 million, and the new reform from February 1, costing another \$406 million. This is not a sleight-of-hand or a fiddle, as Labor claims - it is the real benefit to taxpayers. The cost of our tax reforms in the following financial year (1978-79) will be \$1800 million. This is made up of \$467 million which is the cost of half indexation, and \$1390 million which is the cost of the tax reform for that financial year.

That is nearly a \$1000 million additional benefit to taxpayers over and above that which they would get from full indexation of the old rates.

Clearly, Labor are not too delighted about my Government being able to introduce remarkable tax reform within just two years of being elected. That's exactly why they now seek to muddy the water. They will fail, because from February 1 next year, every Australian will receive the benefit of the new tax system, as well as tax indexation. Nothing Labor says will alter that.

We were only able to undertake tax reforms because we have kept Government expenditure restrained and under tight control for two successive years. We have shown Australians that governments have to make real choices between expenditure on their own accounts, and providing tax relief for individuals.

The Government's great tax reforms have maintained our commitment to help people in need. Benefits to individuals have been fully protected. Not a single cent has been cut from any benefit paid to any individual under our social welfare programmes. Indeed, many payments have been substantially increased.

The Budget is a budget of genuine reform. The Government has introduced historic tax reform, maintained our commitment to those in need, and at the same time has framed a Budget that will continue the relentless task of bearing down on inflation.
