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PRIME MINISTER

TAXATION REFORM

I announce today the Government's plan to reform and modernise the Australian tax system for the 21st century.

It is about reaching our potential as a nation and improving the tax system which is badly in need of repair.

We aim for a fairer, better, more modern system which ignites incentives to work, save and invest. The system we envisage will be designed with an emphasis on promoting jobs, exports and investment.

The recent High Court decision has underlined the fragility in the current financial relationship between the Commonwealth and the States and the need for change and reform in the area of Commonwealth/State financial relations.

We stand by our commitment to no new taxes or increase in existing taxes during this term which I regard as vital to keeping faith with the Australian electorate.

The decision I announce today was arrived at over the past two days where Cabinet concluded that the tax reform process should be accelerated. Ministers were also of the view that it was desirable to announce the decision in advance of the Parliament's reconvening. As it has not been possible to convene a full party meeting, this morning I consulted the Chairmen's Group of the Coalition Party Room, whose members unanimously supported the Cabinet decision.

I have also telephoned State Premiers to inform them of the Government's decision.

Progress in this area will be undertaken by the Taxation Task Force headed by Treasury with representatives of my Department, the Australian Taxation Office, the Treasurer's office and the Cabinet Policy Unit.

The Government has instructed its Taxation Task Force to prepare options for reform of the taxation system. The broad guidance given to the Task Force is

- a. There should be no increase in the overall tax burden;
- b. Any new taxation system should involve major reductions in personal income tax with special regard for the taxation treatment of families;

- c. consideration should be given to a broad based, indirect tax to replace some or all of the existing indirect taxes;
- d. there should be appropriate compensation for those deserving of special consideration; and
- e. reform of Commonwealth/State financial relations must be addressed.

There will be a heightened process of consultation with interest groups. The Government will be assisted in this respect by a special Task Force of government Members.

Before the next election, the Australian public will have a clear idea of the Coalition's plans for modernisation and reform of Australian's taxation system.

If it is the intention of the Leader of the Opposition, Kim Beazley to oppose tax modernisation he will be seen as chained to yesterday's failed system.

13 August 1997.