

COMMONWEALTH TAXING POWERS

REPLY BY THE PRIME MINISTER, THE RT. HON. R.G.
MENZIES, IN THE HOUSE OF REPRESENTATIVES, ON
WEDNESDAY, 21ST OCTOBER, 1959

MR. BIRD:

Has the Prime Minister noted the remarks of the Victorian Premier, Mr. Bolte, to the effect that the Commonwealth Government had financially throttled the States by using taxing powers that it no longer had the right to retain? In view of the seriousness of this statement will the Prime Minister arrange for a debate in the House on Commonwealth-State financial relationships and also on the charge made by Mr. Bolte that through the power of the purse the Commonwealth dictates State policy in most subjects.

MR. MENZIES:

I noticed a report in the press that the Premier of Victoria had had some critical remarks to make which, unfortunately, were based on remarks attributed to me which I had not made. In a speech in Melbourne I pointed out that there is a paradox in Australian public opinion. I did not refer to States or State Governments. I said that the paradox was that whereas every time there was a proposal to increase the powers of the Commonwealth Parliament, the people found it possible, and indeed necessary, to vote "No", yet the very people who opposed the granting of such powers would next day perhaps be on a deputation to the Commonwealth Government to ask it to accept financial responsibility for a matter that lay within the power of the States. I thought that was paradoxical. I am a federalist and I believe in the division of powers, but I pointed out that I thought there was a little strange and inconsistent thinking on that matter. Some newspaper was kind enough to say that I had criticized the States for wanting to retain their powers. I said nothing of the kind.

As to the question of the States retaking their direct taxing powers, I remind the honourable member that in March of this year we had a conference with the Premiers. I had promised such a conference in the course of my policy speech and we had a very long, careful and valuable discussion on this very problem. The upshot of the discussion was that certainly four States exhibited a complete want of desire to be asked to raise their own taxes and to live on the proceeds of those taxes. I pointed out to them - I think honourable members will agree with me - that you cannot have a hybrid system in Australia. Either the States have their taxing powers and exercise them - I have always said that in principle we think that is right - or they do not, but the idea of the Commonwealth raising taxes under a uniform system in four States and abstaining from raising taxes for State purposes in two States is not only financially absurd but I would doubt very much whether it had any constitutional justification. The result of this very long discussion was as I have indicated. The Commonwealth's attitude remains the same. When the State Governments say that they would like to have their taxing powers back on suitable terms that have been indicated to them by me on repeated occasions, we will be most happy to engage in negotiations to help to produce that result. In the meantime it is quite beside the point for any individual State to attack us for retaining something against the will of the States. I point out that 66 per cent of the States - I know it is nice to put these things in terms of percentages - in March, 1959, did not want direct taxing powers handed back to them.