

PRIME MINISTER'S WEEKLY BROADCAST - MR FRASER'S DOUBLE TAX PLAN  
SUNDAY 5 OCTOBER 1975

I doubt if there has ever been a more muddled and dangerous set of policies put forward by the Opposition than Mr Fraser's latest brainchild on State and Federal taxes. I say "Mr Fraser's brainchild", though it's well known that the scheme was dreamt up by Senator Carrick, a Liberal Party Senator from New South Wales, and seems to have been adopted by the Opposition with very little thought. It's all been dressed up as a policy on federalism - which is a nice vague term - but in reality it's a policy on taxation. And this is the extraordinary thing: while Mr Fraser is always talking about the burden on the taxpayer, he's now telling us that if a Liberal Government came to power, it would allow the States to impose income tax on every Australian in addition to the normal income tax that all of us pay now.

In other words, it's a policy for double taxation. Mr Fraser wants to overturn the whole uniform tax system which has served Australia well - under Governments of every political colour - since early in World War II. On top of our normal income tax, we would all be paying income tax levied at the whim of Mr Lewis, Mr Hamer, Mr Bjelke-Petersen and the rest.

You would imagine that any party introducing a policy as extraordinary as this would at least show some enthusiasm for it themselves. In fact, the Opposition and the Premiers are well and truly split over the Fraser plan. The New South Wales Premier, Mr Lewis, has said that no one really knows what the scheme is all about. Sir Gordon Chalk, the Liberal Treasurer of Queensland, has expressed his reservations. Mr Kevin Cairns, a Queensland Federal Liberal member, is quite rightly worried that the scheme would disadvantage the smaller States. As Mr Cairns said, and I quote his words: "All Australians with a sense of equity would ask - who pays and who gets the benefits?" Mr Gorton, a former Liberal Prime Minister, points out that every taxpayer would receive a demand - varying in each State - for tax "over and above what they would pay in Federal taxation." Senator Steele Hall a former Liberal Premier of South Australia has denounced the scheme, and so has Mr Dunstan, the most experienced and successful Premier in Australia.

So all told it's not surprising that the Liberals are soft-peddling on their latest plan. For when we look at it closely we can see how hopeless and defective it is. The idea seems to be to give the States a guaranteed share of income tax revenue, and if that isn't enough, they could raise extra revenue themselves. But what revenue would there be for the States to share in, in the first place? Only a month ago, in his Budget speech, Mr Fraser promised tax indexation. The effect of tax indexation would be to reduce the revenues going to the Federal Government. There would be a smaller share for the States, whose own taxes would have to be steep indeed. Mr Fraser's policies a month ago are completely contradicted by his latest scheme.

We can see what would happen by looking at the situation in Canada, where the Federal Government and the Governments in the different provinces all raise their own income tax. I happen to admire a lot of things about Canada, but their tax system has undoubtedly penalised the poorer parts of the country. The poorest provinces all pay the highest provincial taxes; people in the richest provinces pay the smallest provincial taxes. That was exactly what happened in Australia when the States raised income taxes before the war, and it's the very reason why the old system was abandoned in favour of uniform taxation.

My Government has no intention of allowing the smaller and less populous States like Tasmania and Western Australia to come off badly compared with the bigger and richer States. Under this Government's policies all States get a fair deal; all Australian pay the same taxes. There are no second-class citizens under a Labor Government. It's quite clear that the Fraser plan has been devised as a sop to the Liberal Governments of New South Wales and Victoria. Because of the Lewis Government's incompetence and its refusal to co-operate with Australian Government policies, it wants to grab more money at the expense of other Australians to swell its own coffers.

Mr Fraser has never specified how much Commonwealth tax would be given to the States as a right, and he has flatly refused to say what the share for local government would be. We are asked to take the whole thing on trust. You can imagine what a regular battle we would have: instead of arguing each year what their actual share of revenue would be - as the States do now - they would be arguing what the percentage share for everyone of them would be. The small States would be arguing with the bigger ones and they would all be arguing with Canberra.

The people who would be best off under this system are the residents of Canberra, who would pay no State taxes at all. They'd be first-class citizens. The other lucky people would be those in wealthy suburbs where local councils have adequate revenues. They'd at least be second-class citizens. All other Australians, those in small States, in remote country towns, in run-down suburbs of the big cities, would get third-class treatment. That's the reality of the Fraser plan - inequality and more inequality. The proposals don't guarantee an appropriate share of funds for States where local governments find it hard to raise revenues and meet their expenses.

At present this problem is met by the Grants Commission, which can build up the revenues of the needy States and ensure that extra funds go direct to local government areas that are falling behind. The Grants Commission, under reforms introduced by my Government, has done an excellent job in helping local councils. When the Liberals were last in office, less than half of one per cent of local government money came direct from the Federal Government. Now the Australian Government see that more than six per cent comes to local government through the Grants Commission. The Fraser alternative to this system - incredible as it sounds - is to set

up seven grants commissions - the one we have now and one for each State. Imagine it - seven grants commissions - and this from a party that complains about bureaucratic waste! The six new State bodies would have the job of handing out a little extra money to the local councils on top of their basic grants, but there would be no way of seeing that the money they handed out was adequate in the first place, or that the States who need most money would get it. The Opposition doesn't tell us what the basic grants for local councils would be based on, how they would be arrived at, or by whom. It's all incredibly vague. No wonder Mr Lewis is baffled by it all.

The only thing that's clear from the Fraser plan is that every Australian would be at the mercy of a host of tax-grabbing authorities. There'd be State income taxes and council rates as well as the usual income tax. And where would that leave my Government's proposals for tax reform - for big tax savings for the family man and a fair system of rebates for everyone? The tax reforms in our latest Budget are essential to the battle for wage indexation. Unions will only accept wage indexation if they know they will be saving in the tax on their take-home pay. Introduce three levels of tax and these savings and reforms will disappear. Indexation will collapse, and the battle against inflation will be vastly more difficult. Sound, uniform, national economic management in Australia would be almost impossible. It's not surprising that many Liberals themselves are confused and dismayed by Mr Fraser's double tax system. I'm quite certain that the Australian people won't have a bar of it.

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