



**PRIME MINISTER**

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ELECTORATE TALK

This week, millions of Australians have received more cash in their pay packets - simply because of the Government's personal income tax indexation policies. The amounts of extra "take-home" pay are significant.

For example, a taxpayer with a dependent spouse earning a weekly wage of \$200 - which is about the level of average weekly earnings - will have his weekly take-home pay boosted by \$3.45. This represents an annual benefit of \$187.50.

A taxpayer with a dependent spouse, earning \$12,000 a year will be \$257.50 better off; a taxpayer earning \$13,000 a year will be \$310.70 better off.

The Government tax indexation policy not only affects the income tax scale, but also tax rebates. For instance, the general concessional rebate of \$540 that applied in 1975/76 moved to \$610 last financial year and will increase to \$676 this current financial year.

Tax indexation does one simple thing - it guarantees protection to the community from unlegislated tax increases brought about by inflation. In times of inflation Australian taxpayers with increasing incomes have found themselves pushed into high tax brackets under the progressive income tax scale. As a result, they were really no better off than they were before the wage increase - and in some cases they were, in fact, worse off.

Last year, within a few months of the election, we stopped this tax drain. In May last year, the law was amended to make sure that indexation adjustments would occur automatically each year. This law guarantees taxpayers that adjustments would be made to stop inflation pushing them into higher tax brackets. There was an indexation adjustment on July 1 last year, another one a few days ago, and the next will occur in July 1978, and so on. So taxpayers are continuing to reap the gains from tax indexation.

I think it is worth making the point that the Liberal/NCP government introduced tax indexation in a time of severe economic restraints. In revenue terms, the cost to the government has been considerable.

As a result of tax indexation from July 1 last year to June 30 next year, the government will take about \$2,000 million less from taxpayers than would otherwise have been the case. In Australia now, for the first time, we have moved away from the days when inflation and high taxation increases went hand in hand. We have broken that link that was so destructive.

Tax indexation - along with other reforms such as the Family Allowance programme - is providing more than just extra money resources to Australians. It is, in no small way, helping to reassert independence for many thousands, and in turn to enhance personal dignity and self-respect.

It is that kind of achievement that this Government continually seeks.

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