



PRIME MINISTER

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For the past week the leaders of the Labor Party have failed to tell the public in clear terms whether they would protect people from having their tax increased simply because of inflation. They have been desperately confused and have repeatedly contradicted one another.

The Shadow Treasurer, Mr. Hurford, was expected to give the definitive statement by the end of the week. He failed to do so. He cancelled his press conference.

It is quite clear that the Labor Party would abolish what is called tax indexation. In other words, they would if they were in office, greatly increase the personal income tax the public must pay. They would not do this in an open way through legislation, but by stealth. That is, as your income increased through inflation (which their spending policies would encourage) they would take a higher proportion of it in tax.

Let me demonstrate how important it is to maintain tax indexation. As a result of the two indexation adjustments, my Government has already made in 1976 and 1977, the person on average weekly earnings of about \$200 a week with dependent spouse is now paying \$9 a week less tax than someone who was on the same income in 1975/76. The person on the same income without dependent spouse is now paying \$6 a week less. Labor propose to do away with the projection which allows such tax savings.

The unstated reason why Labor do not want to protect taxpayers against inflation is that Mr. Whitlam wants the money to pay for his big spending programme. This is precisely what he did in 1972/75. That is why my Government introduced tax indexation to try to stop it happening again.

But the position is even worse than this. The Labor tax grab knows no bounds. Mr. Whitlam, Mr. Hayden and Mr. Hurford would repeal the laws which provide for tax cuts from February next year.

Mr. Hurford claims in justification of this plan that these tax cuts give significant benefit only to the wealthy. This is not true.

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In the first place, the tax cut provides for 225,000 taxpayers, or 4.1 per cent of all taxpayers, on low incomes, to pay no tax. Labor proposes to reimpose tax on these low income earners.

Secondly, the February tax cut provides for substantial tax savings throughout the income ranges, totalling \$400 million this year and \$1,470 million next year. Labor want to take it all back to pay for their great plans.

To show there has been no redistribution of the tax burden, I will be publishing information next week on this matter. This shows that the proportion of total personal tax which is payable by taxpayers on higher incomes is not significantly changed by the new tax arrangements which will operate from February 1978.

My Government does believe in redistribution - from the Government sector to the people. The Labor Party want to redistribute income back to the Government. It is the central part in their thinking. That is why they are planning a huge increase in personal income tax.