



EMBARGO: 7.00 p.m.

## PRIME MINISTER

FOR PRESS8 OCTOBER 1978

### ELECTORATE TALK

The Government's campaign against abuse of the tax laws is continuing with the announcement by the Treasurer, John Howard, in the last few days of further measures.

The new legislation is highly technical, as would be expected from the very nature of tax avoidance - finding loop-holes in legislation in order to avoid the spirit and intention of the law.

In the last year there have been about 15 Government measures designed to stop-up chinks in the taxation legislation. Their value to the revenues amounts to some hundreds of millions of dollars.

The Government believes there is widespread support in the community for the action which is being taken to curb tax avoidance. In some taxpayers escape paying their tax, then the burden falls more heavily on the rest. The average wage earner has little capacity to take part in such schemes while very many high income earners have chosen not to.

Governments do not spend their own money - they spend taxpayers' money and they thus have a duty to ensure that no-one cheats the system at the expense of others. The Government has an obligation to protect the person who plays the game by the rules, and it has a duty to weed out the cheats. When the tax burden is equitably shared according to the intention of the law, the great majority of honest taxpayers are the beneficiaries.

The Government will keep up the pressure on tax avoiders. The law will stay under constant scrutiny and the loop-holes will be closed as they are found. This is an approach to a problem which no government, including the last Labor government, has previously tackled in the same systematic way.

Labor instead, when in office, concentrated its attention on the punitive taxation, which kills incentive for wage earners and stifles enterprise in businessmen. Repressive and unfair taxation is the breeding ground for tax evasion. Punitive taxes forced many small businessmen and farmers into a situation where they were obliged to make arrangements to ensure the continuity of their enterprises. The Government rejects this policy of socialism, repression and dishonesty. Australians expect a fair reward for honest effort. They expect to benefit from their enterprise and their achievements.

That is why as well as legislation designed to prevent manipulation of the tax laws, there has been a major programme of tax reform in which Australia leads the world. Many of the complex arrangements which people entered over the years were simply designed to keep family farms and businesses together. The Government's programme of taxation reform is making these increasingly unnecessary.

The Commonwealth Government gave the lead in the progressive abolition of death duties and the State Governments are now following suit. A system of investment allowance, and Stock Valuation Adjustment has provided a major incentive for businesses. Private companies have been enabled to retain more of their profits for use in their business activities.

Above all, there has been enormous progress in the reform of taxation as it applies to individuals. In less than three years, the Coalition Government has brought in automatic taxation indexation, as well as carrying out a reform of the tax scales, reducing them to three steps, and placing the great majority of taxpayers on the lowest rate of tax.

In the last Budget, it was necessary to bring in a special, and temporary surcharge of  $1\frac{1}{2}$  percent which will last until June 30.

This year taxpayers will be paying \$3000 million less in personal income tax than they would have paid if the 1975 Hayden tax scales still applied. The total revenue foregone over the past three years is more than \$6000 million.

Both this year and last year the increase in tax collections has been smaller than the increase in personal incomes. The taxpayer on average weekly earnings, with a dependent spouse, and two children, is paying \$6 a week less in tax this year than he would if the old Hayden tax scales were still in force, as well as receiving \$7 a week because of the family allowances. He is thus \$13 a week better off in terms of disposable income.

Our taxation system is designed for honest taxpayers, honest governments, and for incentive, enterprise and prosperity. This policy will continue.

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