



EMBARGO: 7.00 p.m.

PRIME MINISTERFOR PRESS29 OCTOBER 1978ELECTORATE TALK

This Government's record of tax reform - a tax reform that is soundly based - is second-to-none. It stands any scrutiny. It passes any test.

For many years Australian taxpayers have been hit to leg because inflation pushed them into higher tax brackets. This cut their earnings and boosted the tax flow to Canberra. That situation was not acceptable to the Coalition Government. Within months of gaining office, we acted decisively to end Labour's tax rip-off. We acted to stop the unlegislated tax grab by Canberra.

We introduced tax indexation. This is a device that automatically protects incomes against tax increases caused by inflation. Last year we went further. We introduced what has been described as the most significant tax reform in Australia's history. We cut the tax rates and introduced a new and simplified three-tier tax scale. Now, for the first time in 10 years, the personal income tax collected by the Government will fall in real terms.

The Government's tax reforms have made sure that taxpayers today pay less than they would be paying if Labor had remained in office. Even allowing for the impact of the 1.5 percent surcharge that will come into effect this week, until June 30 next year - taxpayers are still paying less tax than they would be if the so-called Hayden tax scales still applied. But on top of that, taxpayers also benefit from the simplified health arrangements that also start from this week. These have resulted in lower health insurance contributions.

The facts are clear. Let's look at a taxpayer with a spouse and dependent child on average weekly earnings of \$220.38. Under Labor's 1975 Budget tax scales, in January next year, that taxpayer would be paying tax of \$49.85 per week. Under this Government, he will be paying only \$40.85 a week - and this includes the 1.5 percent temporary tax surcharge. Accordingly, despite the surcharge, the taxpayer on average weekly earnings is \$9 a week better off because of this Government's tax reforms. This figure takes no account of the family allowance scheme which provides mothers with significantly higher benefits than the old child endowment.

The Government's tax reforms - even with the surcharge - benefit taxpayers on all levels of income. A non-levy taxpayer with dependent spouse earning \$100 a week was paying \$7.85 a week in January 1976 when Labor's tax scales were still operating. Now, the taxpayer on \$100 a week pays no tax. The same taxpayer earning \$150 a week in January 1976, was paying \$25.60 a week in tax. Now, he pays \$16.30 a week. That's a difference of \$483.60 a year. The same taxpayer earning \$200 in January 1976 was paying \$44.50. Now he pays only \$33.85. That's a difference of \$553.80 a year. That taxpayer earning \$300 in January 1976 was paying \$91.70 in tax. Now he pays only \$68.95. That's a difference of \$1,183 a year.

The significance of this Government's tax policies and economic strategy is highlighted by comparisons with the tax grab made during the high inflation period of the last Federal Labor Government. In 1972-73, the Labor Government collected \$4,089 million in income tax from all Australians. The following financial year this rose to \$5,490 million - a massive 20.1 percent increase in real terms. In 1974-75 - still under Labor the tax grab rose to \$7,714 million - a further 19.9 percent increase in real terms.

What a stark picture. It represents an 89 percent increase in tax collected by Labor in two years - or 44 percent in real terms. This year, the Government has reversed that disastrous trend and is actually reducing our takings by 0.3 percent in real terms - this is equivalent to \$36 million.

Next Wednesday, when the temporary tax surcharge comes into effect, Australians also will be covered under a new health care arrangement. There's no doubt that our decision to simplify health care arrangements will provide real benefit throughout the community. It is a fundamental aim of the Government to provide a high standard of health care, for all Australians - and at reasonable cost.

It's worth recalling how the original Medibank scheme - Medibank Mark I - worked. In essence the original Labor scheme worked on the principle of providing health services to everyone, without charge. In practice, it is not that simple. By providing all services without charge - or at a nominal charge - Government expenditures increase dramatically. To finance these services in a non-inflationary manner, it is necessary to either increase taxes or restrict spending in other areas. The point is worth dwelling on. The major beneficiaries of Medibank Mark I were not the poor. Pensioners and their dependents were already eligible for free health care. Poorer families had their health insurance premiums subsidised. The beneficiaries were the better off members of the community who no longer needed to pay insurance premiums.

When we came to Government, late in 1975, the increasing cost of Medibank was clear. If something had not been done we would have had to either increase taxation or cut back in other health and welfare programmes.

In other words, the gains of Medibank Mark I to the better off would have been financed at the expense of the poorest sections of the community. We were not prepared to see that happen.

We modified Medibank, slowed the escalation in overall health care costs - and protected that section of the community not as well off. The latest changes built on this achievement.

They continue to protect the disadvantaged. They protect all Australians against the costs of serious illness, and they simplify present arrangements. At the same time, they require those better off in the community to take a greater degree of personal responsibility for the costs of their health services.

Through our taxation reforms - and we have proved we are a tax reform Government - and our health care programme, this Government continues to demonstrate its concern for the welfare of all Australians.
