



# PRIME MINISTER

FOR MEDIA

28 OCTOBER 1979

## ELECTORATE TALK

DELIVERED BY THE TREASURER, THE HON. J. HOWARD, MP

This Government's commitment to tax reform remains absolute. We have demonstrated that we are a government of lower taxes. Our radical restructuring of the tax scales - the lowering of those scales, our tax incentives to industry, the removal of estate and gift duties, the removal of tax inequities, and our fight against tax avoidance unmatched by any other government since Federation - stand as irrefutable evidence of our commitment to tax reform. That commitment is an ongoing one.

In Parliament this week I introduced legislation to raise the retention allowance for private companies from 60 per cent to 70 per cent. This comes on top of the previous increase from 50 per cent to 60 per cent announced in the 1976-77 Budget. It will mean that small and medium sized companies will be able to retain more capital within their businesses which in turn will create investment and jobs.

Small businesses are a vital part of Australian life and a source of creativity and new ideas often not found in larger concerns. We recognise the important part they play in our economy and we have progressively taken steps to assist them in maintaining adequate working capital. The Government intends to increase the sales tax exemption levels for small businesses.

The current levels of annual turnover above which a manufacturer is required to pay sales tax are \$1,000 for goods made exclusively in the manufacturer's own home and \$1,400 for goods made elsewhere. These levels have become increasingly unrealistic. So the new sales tax exemption level will now be based on an annual turnover of \$12,000 and the annual sales tax liability exemption will be increased from \$100 to \$250. In deciding to introduce these changes the Government particularly had in mind the many people engaged in handicrafts at home.

The Government is also progressively introducing other measures to help personal income tax payers. These include the decision to increase the provisional tax threshold from \$400 to \$1,000 which will free many thousands of taxpayers, particularly those with small investments, and pensioners, from the annual provisional tax payment. The Government has extended the exemption from sales tax on equipment for the blind and the deaf to cover equipment used by all handicapped people.

We have also taken action to remove an anomaly between the tax deductibility of gifts to certain religious funds. This means that gifts to funds set up by Roman Catholic archdioceses for religious instruction in government schools will now be tax deductible.

Australians are generous people. Their contribution to education and to need wherever it may arise should be helped and encouraged by any government.

We understood quickly that the horror of Kampuchea had struck a responsive chord in the heart of all Australians. The Government acted in sending immediate help to the people of that country and made private donations to the Kampuchean Relief Appeal tax deductible.

In the rural sector, the Government has also recognised a number of areas of special need. In the August Budget, a new rate of depreciation for on-farm hay, grain and fodder storage facilities was introduced. This decision was taken because of a heavy harvest which found bulk storage facilities wanting in Australia's great grain belts. More on-farm storage is needed to meet what could be another good harvest next season. The move will, of course, not only help to meet an immediate need but hopefully will encourage the man-on-the-land to conserve fodder.

As you are all no doubt aware the tax surcharge imposed last November will come off from the end of next month. This means that for a person on average weekly earnings there will be an additional \$4.45 a week in take-home pay.

The thrust of our policies is to lower the tax burden. This is a cornerstone of Liberal philosophy which spells out a simple message -- Australians must be given the capacity to determine their own priorities.

We understand that higher taxes run counter to this belief; they minimise individual freedom, and increase the Government's direction over people's lives. Our political opponents stand for big government, big spending, big deficits and big taxes. As Labor's economic spokesman, Mr Willis, has said, a Labor government would be committed to a "mammoth task in rebuilding the public sector...in convincing the electorate that it should pay a higher level of tax to enable us to do so". They are his very own words. These words are a stark and telling reminder of our basic difference in approach to government.

We reject Labor's high tax philosophy out of hand.