



# PRIME MINISTER

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## ELECTORATE TALK

The Government's determination to provide Australia with responsible economic management - and lower taxes - has been strongly reaffirmed. The decisions announced by Mr. Howard in Parliament last Thursday demonstrate in the clearest terms that our fight against inflation is still a first priority - and that we recognise the need for tax relief. We are committed to reducing taxes to the extent that is economically responsible.

We have taken two key tax decisions. Within the scope available we felt that benefits should be concentrated on single income families, and particularly those on low incomes. Therefore from July 1, the rebate for a dependent spouse will be increased by \$203 a year - from \$597 to \$800. There will also be equivalent percentage increases in the various other rebates - the daughter/housekeeper, housekeeper, sole parent, invalid relative and parent rebates. For example, the sole parent rebate will rise from \$417 to \$559 and the invalid relative rebate from \$270 to \$362. Well over 2 million families will benefit as a result of these changes in rebates.

The second major tax decision is to apply 50 per cent tax indexation for personal tax scales. This means that the tax threshold - that is the level at which tax begins - increases from \$3,893 to \$4,033. All taxpayers will benefit as a result. A taxpayer on the standard rate with a dependent spouse will be \$4.70 a week better as a result of the changes. When allowance is made for the higher rebates the effective threshold for a taxpayer with a dependent spouse will increase from \$5,698 to \$6,533, and for a sole parent from \$5,153 to \$5,779. The taxpayer without dependents will benefit less, because we wished to help families most. However, a taxpayer without dependents on the standard rate of tax will still receive a tax cut of 85 cents a week.

The Treasurer estimates that the new tax measures will take more than \$600 million from our revenues - so it is a significant decision. And the major benefit - by far the largest percentage decrease in tax paid - will go to Australia's single income families, and particularly to those with lower incomes. Those families with the lowest incomes will receive the greatest proportionate reduction in tax. That decision, that bias in favour of single income families was quite deliberate, because at the moment there is a bias against them. We therefore felt it right to increase spouse rebates so that single income families benefited by most. The introduction of the new tax measures from July 1 - and not at an earlier date - is consistent with prudent economic management.

The Government decided to use the estimated additional \$340 million from crude oil revenues this financial year to reduce the budget deficit. A lower deficit is a key weapon in lowering inflationary pressures. It will as a result help to keep down price rises and interest rates. Because of our responsible economic policies we have had only a slight rise in interest rates compared with other countries. Interest rates in the United States have risen by 5½ per cent since the middle of last year and in the United Kingdom by 3 per cent. Interest rates in Australia have risen by around 1 per cent.

Australia - as a trading nation - cannot totally isolate itself from overseas problems. But what we can do - and are doing - is to make sure that our own economy is strong and well run, and that we retain the competitive edge. To do this it is essential that we maintain - indeed strengthen the downward pressure on inflation. The benefits will show in increased employment and economic prosperity.

Employment has risen by 2.3 per cent over the last year and economic growth has been faster than we expected at the time of the last budget. For the well-being of workers, industries, farming communities - and for the security of all Australians on fixed incomes - we can never slacken in this resolve. In essence, Mr. Howard's statement demonstrates our commitment to build on our hard won economic gains - and to ease the tax burden on those most in need.