



EMBARGO: 5:00 pm

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PRIME MINISTER

FOR MEDIA

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ELECTORATE TALK

Last week, John Howard introduced new legislation into the Parliament to stamp out the gross tax avoidance schemes that have been growing up in our community. Since 1977, the Government has introduced 12 bills incorporating some 28 measures against such schemes. But what has been happening up to now is that as soon as one scheme is stopped a new one is thought up. The new legislation is designed to prevent this from happening. Its aim is to make impossible all versions of anti-social tax avoidance.

Anyone who pays less than their fair share of tax does so at the expense of every other taxpayer, at the expense of every decent member of Australian society. We believe that any person who claims the privileges of being an Australian resident, who benefits from the services provided by the Government and the protection of the law, must contribute his or her fair share by way of tax contributions.

We believe that there is no real difference between the person who finds an artificial loophole to slip out of tax and the person who falsely declares his income. An anti-avoidance provision was already part of the law. However, over the years the courts had cast doubt on its meaning and its interpretation had become so narrow as to be largely ineffective against avoidance.

When reasonable men can come to very different views as to what tax avoidance is, it becomes difficult to cast the law in terms which will strike down blatant or contrived schemes, but which will not hinder reasonable commercial or family dealings. The new legislation is expressed in terms which would eliminate schemes which, when their circumstances and results are objectively examined, have no practical effect other than a reduction of tax liability. In order to ensure that people who still think they can get away with avoidance are not taking a "one way bet" in doing so, the legislation provides for penalty tax equal to twice the amount of tax sought to be avoided.

This approach, and the Bill itself, is the result of long and careful study, not only by Departmental officers and by Parliamentary counsel, but also by private legal counsel and the Taxation Advisory Committee. We sought and welcomed constructive comments on the provisions of the Bill.

At the same time, we have introduced legislation which requires the courts to have regard to the intention of the law rather than solely to the fine points of language. It is our hope that the decisions of courts will accept the spirit of this taxation legislation rather than just relying on the letter. It is a matter of great regret that it is necessary for legislation to be used to stamp out tax cheating. For if all taxpayers accepted their responsibility to the whole community, if they accepted that they should pay what is justly required of them to provide public services, we would not need to devote part of the community's resources to seeking out the tax cheats, to the time consuming process of framing laws.

Because some people get away with paying less than their fair share of tax, but are still consuming public services paid for by the rest of us, the tax burden on the decent, responsible taxpayer is higher than it otherwise would be. The cost to the community of tax avoidance is not measured simply by how much more tax the rest of us have to pay because others pay less, and because tax avoidance involves the cost of devising and implementing anti-avoidance legislation, the cost also includes the time and effort of the tax cheats and the cost of devising and implementing novel ways to avoid tax. If those resources, that time and effort, were put to more productive activities, the whole community would be a more decent country.

There is another dimension to this tax avoidance issue. The effect of our legislation will be to force people to do what they surely know was right anyway. So the new legislation should not have been necessary at all. It is vastly important that we all recognise that the kind of Australia we want cannot be made by laws alone. Indeed, if every anti-social activity had to be banned by law, we would be overwhelmed by law, and freedom could not survive. In a free society, people must accept mutual obligations based on the morality of respect for others.