



PRIME MINISTER

EXTRACTS OF PRESS CONFERENCE BY THE PRIME MINISTER
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JOURNALIST : Mr Hawke will you say now no capital gains tax after the election.

P.M.: I will say what I have said consistently, that we will have a total review of the tax system. The same way as the Liberals have said there should be a total review. And within that review we cannot pre-empt discussion about a capital gains tax. But there is no, there is no plan, to introduce a capital gains tax or any other form of tax. What there is an intention to do, as distinct from the Liberals who surreptitiously say that a capital gains tax is an inevitable part of tax reform, we are saying nothing is inevitable, there will be a total review. We'll talk to the community, the business community, the trade unions, the Taxpayers' Association and welfare organisations. And it would be improper for me to say now that we would not allow any issue to be canvassed in that discussion. But the distinction between us and the Liberals is that you know that you can trust us as to the way we'll go about it. They have shown that they'll say one thing in an election and after that election break that position absolutely.

JOURNALIST: Prime Minister, do you agree with Senator Button's perspective that there will be budgetary problems next year, and more specifically that those problems will result in intolerable pressure for new taxes or stronger existing ones.

P.M.: No, there will be no intolerable pressure for new taxes. I'm glad you asked the question in regard to Senator Button's comments in this area of the Budget. What I and the Treasurer have said consistently from the time that we came into office is that we would not be able in one Budget or in two Budgets to rectify the economic chaos that we inherited and to get Australia on the path of stable, sustained long-term recovery of a non-inflationary kind. And we've said we're going to have to continue in Budget after Budget to implement policies which will ensure the achievement of that objective. Now I want to point out what we've done in that regard. Because if you're going to in an election period compare and contrast the two Parties that are asking for the support of Government in this area, you've got to look at the facts of what has been done and then say on that basis what is likely for the future. Now what was the position under the Liberal National Party when they were in, in their last two years in regard to their Budget? In 1981/82 their estimate was for a neutral budget outcome - a nil deficit. It in fact blew out to half a billion dollars. In the last year, 82-83, they budgetted for a deficit of \$1.7 billion. It in fact blew out to \$4.5 billion. In other words in their last two years a blow-out of their Budget deficit of \$3.3 billion - that was their last two years - a blow-out of the deficit. In the last year 165% increase in the deficit. Now what have we done. We in fact in our first year cut back from have cut back from the \$9.6 billion that was in the offing then and budgetted for a deficit of not the \$9.6 billion, but \$8.4 billion. Now we not only

P.M. cont...: achieved that but we came in under, came in under our deficit. It was \$7.9 billion. So we were half a billion dollars under. In this year we have budgetted for \$6.7 billion and we will achieve that. So in our two years we will have reduced the deficit by \$2.9 billion against their blow-out. Now what I've said for the future and what the Treasurer has said for the future is that in this next year we will do these things - and it's consistent with our record. Firstly, there will be a further lowering of the deficit. Secondly, that will be achieved with no overall increase in the level of taxes. And thirdly, and essentially which follows as a matter of economic logic, that will be done and can only be done on the basis that the rate of growth of expenditures will be less than the rate of economic growth. Now we don't go into this election with hypocrisy and conjured up flat-earth economics. Mr Peacock is talking about vast increases in expenditures, tax cuts and a lower deficit. You can't do that. What we do is to say we have in fact reduced the deficit. We have in fact reduced income taxes. We will continue to do that. Now those are the realities. And I say all of that in the context that we will continue obviously as a Government to have to address ourselves carefully as we have done to these Budgetary problems. We inherited chaos and the greatest depression since the great depression. We've had to turn that round, we've done it, but we've done it in a way which has involved reductions in the deficit, no increases in the overall level of taxation. We'll continue to do it. And our record in this area will stand up in any debate, any analysis, against the Opposition.

JOURNALIST: Prime Minister, given that you say you're not going to pre-empt the decision on taxation reform can you see political danger of allowing an issue like capital gains to exist. Because people in the community don't really know how it effects them ...

P.M.: Well I'm grateful for that question. The danger in this area is not from us, but from the Opposition. Now I am not saying that there will be a capital gains tax, but what we can say in respect of capital gains, that we have made certain principles quite clear as to a capital gains tax if there were to be one. As far as the Labor Party is concerned, if there were to be a capital gains tax we've made it crystal clear that the family home would never be part of a capital gains tax. Secondly, that in a situation of a capital gains tax there would be offsets of capital losses against capital gains. It would apply only to realised capital gains. So in respect of that area it's quite clear for the great majority of people if there were to be a capital gains, we've spelt out the principles that would have to apply. But what about the Liberals. They have said quite clearly that a capital gains tax will be an inevitable part of any review they have to take. That's what they've said. That's what their analysts have said. Don't take any account of what Mr Peacock or Mr Howard may say on Monday because that will be just as much a fraud in 1984 as what they said in 1977. They have said a capital gains tax is inevitable. That's what their backroom boys and their advisers say, and that's what Mr Howard believes. But what do we know about their capital gains tax. Would the family home be free and exempt under a Liberal's capital gains tax. We don't know, because they won't come clean about any part of their thinking. So the family home may get caught under a Liberal capital gains tax. They may not allow an offset of capital losses against capital gains. That's the difference between Labor and the Liberals. They will have one, but you don't know anything about it. What it will catch. Who it will catch. What the net.

P.M. cont...: will be. Under us we say in the review, capital gains will be one of the things that's looked at. And at least you know in respect of Labor the principles that would be involved if it were to be implemented.

JOURNALIST: (Hywood, inaudible view on capital gains tax).

P.M.: No I'm not exercising a personal view. And I'll tell you why I'm not, is that if in fact you're going to allow the community and its various organisations to have a free and open analysis and debate and discussion, it's better in those circumstances, I think, that you don't try and pre-empt. And the other thing, and I say this quite frankly, I want myself to have my mind informed by the public debate because you may have a view, for instance, and it's a theoretically correct view, that without a capital gains tax you may not have all the instruments necessary to completely wipe out the tax avoidance industry. I mean that, as you know Greg is one of the arguments that's put forward in favour of a capital gains tax. That without a capital gains tax you can't have a totally effective armoury against the tax avoidance industry. But it may be that in the debate and the analysis that there are other ways in which you can be sure that that would arise. Because what you've got to remember is that a capital gains tax would not be a significant source of revenue. It is regarded by those who advocate it as desirable basically as an anti-tax avoidance instrument rather than as a significant source of revenue.

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JOURNALIST: Mr Hawke you put a lot of emphasis in your taxation statements... do you think it's possible to have a fair and equitable tax system without some system of death duties?

P.M.: I think that's possible, yes. And I'm glad you raised the question of fairness and equity. In the taxation review that we are going openly to conduct and invite everyone to participate in, I want the community to know that the twin criteria that will inform the minds of my Government will be fairness or equity, if you like, and efficiency. Those are the criteria. We say to the people of Australia that after all these years no-one says that the existing tax system is fair or that it's the most efficient system. So we want a fair system. And we have shown by our achievements and our commitments that we can be trusted in this area. The Liberals cannot.

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