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PRIME MINISTER

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TRANSCRIPT OF PRESS CONFERENCE, PARLIAMENT HOUSE, ON TAXATION
POLICY STATEMENT - 31 OCTOBER 1984

PM: Ladies and gentlemen, the statement that you have before you provides, I believe, the starkest possible contrast between the Opposition and the Government in regard to tax policy. This statement that you have outlines a coherent reasoned plan and importantly an achievable program for genuine tax reform. Its a program, as you can see, for a complete overhaul of the taxation system to achieve fairness and simplicity and very importantly the maximum possible elimination of tax avoidance. For too long now the average Australian taxpayer has been forced to pay the bill for the cheats and the avoiders who have exploited the existing system to avoid their responsibilities - an existing system, which as the statement points out in the 34 years before we came to office in March had been built up under 31 years of those 34 years, of conservative rule. Now we believe strongly and make it clear in our statement that reform can only be achieved by an honest and reasoned identification of the problems involved and then by a resolve to find the appropriate and the acceptable solutions to those problems. Now quite clearly, that approach has no chance of success at all. If government pretends that it knows all the answers before it starts the process and if it lacks the resolve to take that process through. And I can assure you that we will not be pretending, do not pretend, that we know all the answers, but I can at the same time promise that we will not lack the necessary resolve to carry through by way of that process of community consultation the reform that is required. We are determined that that reform of the type that the statement outlines will be achieved for Australia and we are totally confident that our refusal to impose impossible inhibitions in the name of current political expediency will win the support of the overwhelming majority of the Australian electorate. Now, I am certain, and I believe that this is a point of view which is shared, I am certain that the Australian people understand that unless and until the Australian tax system is completely overhauled there is simply no chance of achieving a reduction of unfair burdens that currently exist and restoring equity to the system. Now I am certain equally that the Australian people are fed up with the tinkering of the system that our opponents have for so long dressed up as seemingly attractive electorate packages

and have been pleased to call tax reform. Now therein lies the total contrast between our policy and the Opposition. Once again in this election they have opted for an attempt at sectional vote-buying gimmickry that quite clearly will not stand up to the simplest of analysis and has no chance of ever being implemented. Now, I repeat that for too long the taxation debate in this country has been addressed by a combination of papering over existing cracks and by pre-election gimmickry. And that is exactly why the tax system is in the mess it is today. And that is why the Australian people are prepared to support a government that is prepared to do the job properly. Put very simply, for years and years now the Opposition in this country have attempted to buy votes with pre-election carrots and have then punished the people with post election sticks. And I can say that neither I nor my Government will have any part of that sort of politics. I believe the Australian people have had enough of it. They deserve better in this important area and we intend to give them the better approach that they deserve.

JOURNALIST: Prime Minister, the seventh principle put simply is it saying there that if trade unions are not prepared to wear indirect taxes then they won't be introduced.

PM: I am saying that what is important in regard to any move to indirect taxes is that it not be a move which will defeat the purpose of tax reform by fuelling inflation and it will be necessary if there is any part of a total package which will be arrived at with the full consultation of the trade union movement it will be necessary to get an agreement with and from the trade unions to ensure that that does not add to the inflationary processes. Now we are certain that that can be achieved.

JOURNALIST: Mr Hawke, you can maintain you pledge not to increase the overall tax burden for the term of your next government by increasing the deficit. But do you give a pledge now that the deficit and GDP will not rise over the term of the next parliament?

PM: Yes.

JOURNALIST: Prime Minister, does the statement mean that there will be no tax changes introduced before the budget year after next - the 86 budget?

PM: It certainly wouldn't be introduced in the next budget because you can see the timetable that we are talking about, Laurie, is the preparation through the continuation of these consultative processes - the preparation of a draft white paper and with the summit type conference in the third quarter and hopefully the emergence of an acceptable package by the end of 85. So that would rule out changes in the 85 Budget. It may be that as part of that consultation that there would be agreement that it would be to the benefit of the community therefore not however to wait until the next budget, say in August 86, but there could well be agreement to introduce the package before the Budget of 86 and I would think indeed that would be the position.

JOURNALIST: Mr Hawke, when you give a commitment that there will be no overall increase in the tax burden.

PM: Yes.

JOURNALIST: ...that that commitment will include any taxes which may be transferred to the States or does the commitment only apply to those taxes which remain under the ... of the Commonwealth.

PM: I make it quite clear that in the statement that I have made before and that I repeat again here - that that commitment quite clearly assumes no increased tax powers on the part of the States.

JOURNALIST: Prime Minister, won't smashing tax avoidance require you to have control of the Senate at the forthcoming election?

PM: I would put it this way, Ken, that clearly if we had had control of the Senate during the life of this Government, the Australian people would have been half a billion dollars better off in regard to our legislation. Now, that position again after the election would be easier to achieve if we had control of the Senate but I want to make this point. Because tax reform is clearly an issue, and as I have said from earlier in the campaign, I want to talk about tax right through the campaign, and will, that I believe that this Government will be clearly given a mandate to proceed with the process of tax reform based upon the smashing of the tax avoidance industry. And in those circumstances I would expect particularly as we continue the processes of community consultation and get, as I believe we will, broad community agreement during 1985 I would think that the Senate would be thinking twice before seeking to frustrate the clearly expressed will of the people of Australia.

JOURNALIST: Prime Minister, would a capital gains tax contribute to the smashing of tax avoidance and tax evasion?

PM: It's a question which is not founded, if I may say so, in a reading of the document.

JOURNALIST: I didn't suggest it was.

PM: No, what I am tryin to say, I would hope that the document had in fact made that position clear that there is an existing capital gains tax. People tend to talk about new capital gains tax. Some of the argument about the existing capital gains tax is that it is arbitrary and unpredictable. All we are saying is that we believe that a major concern of the Australian people is the smashing of the tax avoidance industry and in the community consultation that is going to take place, I imagine that one of the things that just about every group in the community is going to want to address itself to, as has the Business Council of Australia, the Confederation of Australian Industry, for instance, is to examine whether to achieve the smashing of the tax avoidance industry, any changes in the existing capital gains tax system is necessary to achieve that end. But you see, I can't determine now, and it is quite inappropriate in an electoral context to put

PM Cont.: for perceived electoral advantage purposes a position which says you do this or you do that not knowing in the context of a full debate whether the great objective of the Australian - that is to smash the tax avoidance industry - is more likely to be achieved by some changes in the existing capital tax regime. It is certainly the view of the business communities represented through the Business Council and the Confederation of Australian Industry that some changes there seem to be desirable to achieve that end.

JOURNALIST: Mr Hawke, when did you and your Ministers first consider the proposal for a tax summit?

PM: I think the answer to that becomes fairly clear from reading what is in the document - it was about page 4 I think of the document - where you will see that we set out the public minutes of the EPAC meeting of March this year where while the phrase summit is not specifically mentioned, it is quite clear there that the Government has been talking about this issue itself and through EPAC right through 1984. Indeed the process commenced in 83. Now we use the phraseology there about consultation with the community, that it is a long term matter, and requires consideration of the views of the community as a whole. The phrase summit is not used there, but the concept of summit has been involved right throughout our thinking, because it goes back, Michelle, to the point that I make in the statement and that I made in my introductory comments to this press conference. What I think is basically important to understand in the tax debate is that you are not going to achieve workable and effective and fair overhaul of the system unless the community as a whole feels that it has been involved in the process of analysis and discussion and believes that the outcome meets its objectives. And so the concept of summit, whether you call it summit or a national conference on taxation, I'm not hung-up precisely on the word - what I and the Government are totally committed to is a continuation of the processes which as the document makes clear, commenced almost as soon as we came to government. We have undertaken the process of considering tax reform by getting the views of everyone and have committed ourselves to continuing that in the post-election period.

JOURNALIST: Mr Hawke, could you say when the decision was made not to increase taxes or the deficit as a proportion of GDP and could you say how the decision was made - whether by Cabinet or ...

PM: Made by Cabinet on 3 September.

JOURNALIST: Mr Hawke, do you not see a danger in having a tax summit that for the purpose of which you talk could be clouded by a lot of interested pleading. You are bound to have some parties upset by maybe a majority view. Also, what form do you see the summit taking? Will it be similar to the April summit last year? And where does this leave the EPAC review of the tax system?

PM: Yes, well, the three questions are related. You will see from the minutes of the March meeting of EPAC that there is a commitment there to continue within and outside EPAC the processes of consultation. When we have our next meeting of EPAC we will seek to get the views of EPAC members as to how they see the process best developing. So I simply cannot give you an answer now as to the format because we will be guided by EPAC in that. I would, however, make this point to you, that when you look at the composition of EPAC, and let me remind you of its composition. It has got the large business organisations represented through the Business Council of Australia and the Confederation of Australian Industry. It has got the Council of Small Business Organisations and the National Farmers Federation. So you have got the whole spectrum, if you like, of business, secondary and rural there - large and small. You have got all levels of government - ourselves and the State Governments and local government and you have got the community organisations represented through ACROSS and the Consumer Organisations. Now, I would think, and I say this without seeking in any way to pre-empt what they would say, but I would think that they would see some expansion of those organisations. You know, for instance, one obvious group would be the Taxpayers Association. So you would see some widening of the groups there represented and as to numbers I don't know whether it would be necessary to have the numbers of the April summit, but I am open-minded on that. The only thing which is important, and it is critically important, is that it should be so structured that we as a government and the community itself can be convinced that there is the opportunity for a very representative putting of views. Could I just briefly go to the first part of your question. You prefaced it by saying, won't there be special pleading and so on. Well, of course. I mean that is the democratic process. That is what has happened in the past in a sense. I think the problem has been with the conservative governments in that 31 years of the 34 until the beginning of 83d, that special pleading went on behind closed doors. There wasn't any intermingling of the views of the community. It wasn't done in an open, constructive way. Now, if you have this more open process, then I think the great benefits are not only the obvious one I have referred to that you get a more representative view, but I think there is imposed an astringency, if you like, upon the special pleaders because if they have to put their case before others, then I think that is an astringent effect which is all to the good.

JOURNALIST: Prime Minister, if you consider that tax avoidance is going to be such an important issue in the coming election why didn't you use the rejected bottom of the harbour bill as a trigger for a double dissolution and then possibly use it, then possibly push it through Parliament at a joint sitting of Parliament next year?

PM: Cause I wasn't about triggering a double dissolution of the Parliament. There was other legislation there that would have enabled that. You see, that is the sort of dramatic, confrontationist sort of approach which characterises the conservative side of politics but which is distinctly different from the way we approach things. We have tried to argue our case sanely and constructively in the Senate, now for a combination of reasons there it wasn't acceptable. But I think the process that we are putting to the Australian people now will produce the result that the people want. That is, that these things will be out openly, there will be a clear understanding by the Australian people of what tax avoidance has cost them and I think it is fairly well understood now but as this process goes on, it will be very clear to the Australian people what tax avoidance has meant to them as I say in the statement it has imposed a massive, undisclosed supertax upon the people of Australia. That has been the effect of the tax avoidance industry and I think it is going to be sorted out in the way that I am talk about now.

JOURNALIST: Prime Minister on Justice Murphy if I may ...

PM: Have you got a time constraint, I mean I would rather ...

JOURNALIST: Prime Minister you talk in terms of smashing the tax avoidance industry. Can you elaborate on what you mean by that and what sort of things you are thinking of given the fact that the new taxation commissioner has consistently said that tax avoidance and tax evasion are dead?

PM: Well, you say it has been said consistently that they are dead. It is quite clearly not dead when legislation which is necessary to produce results in certain areas hasn't been put into place. The important consideration as far as, not just the Government is concerned, but as the community is concerned, is to have an absolute assurance of two things really that all the armoury, if you like, is going to be there to prevent any possibility of the tax avoidance industry existing further or reappearing in other ways. I mean what you have got to remember is that the history of the taxation system and particularly as Mr Commissioner Costigan said in the period 76-81, the tax avoidance industry showed an amazing versatility and imaginativeness in the ways in which it would seek to enable a privileged minority who had access as we say to the slick accountants and the smart lawyers to dream up methods. Now what is important now is to get the will of the Australian people clearly expressed and with the Government therefore with a mandate to say all the armoury will be there to prevent an remnants or it emerging in any other way. Peter perhaps we could go to yours now.

JOURNALIST: Would you like to see the Senate reconvened as soon as possible to clear this up?

PM: No, and I have only had the opportunity of seeing a couple, of perusing very briefly press releases I think from Senator Chaney and Mr Sinclair, and as I see it, there is no suggestion from the Opposition as from those press releases that that should be the case. I think Mr Sinclair, as I understand, has specifically reported as saying it would not be appropriate to interrupt the electoral process, the election process to recall the Senate. I believe that it isn't appropriate and that this will be a matter for the Senate on the resumption of the Parliament. It is a report of a committee of the Senate. It is for the Senate to consider it, and the Parliament to consider at the normal time.

JOURNALIST: What sort of impact do you think it is going to have on the election process?

PM: I think none. Quite clearly it is not a matter which affects this government. I have simply said in regard to all these areas where there is a suggestion of either crime and I make it quite clear I am not suggesting this in regard to the judge, but I have made it quite clear in the whole area where there is suggestion of crime or misbehaviour or anything that the proper processes should be followed. I have indicated what I believe the proper processes are in this matter.

JOURNALIST: Mr Hawke, do you believe that Justice Murphy should stand aside in the interim?

PM: I don't think it's a matter for me to express an opinion on that. I think that this a matter, I assume that will be resolved within the High Court, presumably between Mr Justice Murphy and the Chief Justice Sir Harry Gibbs. And I think it would be improper for me to be saying something in that area because it would imply on my part that I didn't have confidence in the High Court itself to conduct its own affairs.

JOURNALIST: Sir, you said that this is a matter for the Senate when Parliament resumes. Do you think the Director of Public Prosecutions also has a role?

PM: Well, he has access, Laurie, to all the material. The previous material and now all the material if I may put it, of the second Senate enquiry. Because everything has been conducted in public. He has access to it. I understand he is looking at it.

JOURNALIST: Mr Hawke, Senator Evans said that he was looking over the material and going to put a view to the Government over the next few days. What is the process of that, will that be a view to you or will it be a meeting of senior ministers?

PM: Michelle, He would report to me. And I would believe that his report to me, what he'd analysed what was there, I think in terms of appropriate courses of action, I would assume it would be along the lines of what I have suggested now. As I understand to be the appropriate course, it would only be if there was some, for some legal reason, he was putting to me that there was some other course of action that was required, I would then call a meeting of the leaders to consider that.

JOURNALIST: So it's just an appraisal, it's not a recommendation for action.

PM: Only an appraisal. I must say this, because I don't pretend to have read the whole report, I haven't. Nor do I say do I have at my fingertips a full understanding of every possible legal implication. I am simply saying that if the Attorney-General were to put something to me which was other than what I would understand would be the

PM cont: appropriate course that I have alluded to, then in those circumstances I would discuss it with the leaders. But I don't imagine that will arise.

JOURNALIST: Does the fact that the committee was unable to reach a unanimous decision undermine the value of the committee's report in any way?

PM: Well, I don't think it is appropriate for me to enter this issue by seeking to impose a personal view or interpretation and I don't intend to.

JOURNALIST: Mr Hawke, do you think that the Government has handled the issue from the beginning the correct way rather than setting up a judicial enquiry?

PM: Yes, I believe the appropriate courses have been followed and I merely repeat Peter what I have said all the way along in regard to the whole range of matters that one has to have a concern for the public interest and the interest of individuals who may be involved. I accept, and understand clearly that there can be sincerely held views about what are the best ways of matching those two requirements of the public interest and the interest of the individuals. And I am not here to attack others who have had different views of how those two criteria can be satisfied. All I can say is that I believe that at this stage a position has been reached where there are clearly processes to be followed and processes which I trust will continue to meet those two criteria. And I believe they will.

JOURNALIST: Prime Minister, do you think report could damage Mr Wran?

PM: Mr Wran. No I believe not.

JOURNALIST: Have you spoken to Sir Harry Gibbs or Justice Murphy?

PM: No I haven't spoken to either of them and it would not be my intention to as I repeat the question I gave before, our democracy is very squarely based upon the division of powers between the executive, the parliament and the judiciary and I have total confidence in the judiciary.

JOURNALIST: Could I ask you another question on tax? This is in relation to your answer to Barrie Cassidy about your expressing confidence that the ACTU their decision to introduce indirect tax ... discounting of such a tax. In the light of Mr Dolan's recent comments why would you think that?

PM: Well I think if you read everything that was said by the ACTU and put all of Mr Dolan's comments in the context of what the ACTU said there is full basis, a full basis for me expressing that view. The ACTU obviously will be important, a very important element in the discussions that we have had. And I can talk, of course, from the basis of having seen the ACTU, already been involved in those discussions in EPAC, so my confidence and the view I express is based upon past experience, may I say not only on the tax issue, I mean the

PM cont: enormous success of us all in achieving the results, the economic results that we have, has been large measure based upon the successful operation of the Accord and therefore I believe that the ACTU as we go into '85 and through this important area will give a full commitment in trying to ensure that the best possible results for the community, as a whole, are achieved. So I have total confidence on the basis of what they have done in the Accord, the way they have operated within EPAC and in respect of the prepared position of the ACTU that has been to the people.

JOURNALIST: Prime Minister, does retrospective legislation remain crucial to smashing tax avoidance.

PM: Well, I think that in the discussions that we will be having that the question of whether retrospective legislation will be necessary in the context of any other things that have to be done will be on the table. What I make clear, Paul, is that it is not just words when we say we are in advance determining what is necessary. We have basic views and principles which we have enunciated and we want the whole issue to be discussed in a way which means at the end of the process the community will be saying to the Government, these are the things that we want done to achieve these objectives and if that is one of them well so be it.

JOURNALIST: What I am wondering is, will you be pushing that legislation again after the election and before the review?

PM: Well I would think that we would be guided by the initial processes of the discussions to be ...

JOURNALIST: Mr Hawke do you think that by providing differing reports, Senator Tate and Senator Bolkus have made it difficult for the Government to come to a unanimous view next year if this matter comes up to a vote in Parliament?

PM: I can't answer that at this stage. I mean it is obviously going to be a question of the, everyone involved reading the reports and studying them and it would be presumptuous for me to try and pre-empt people's study of those reports by giving an answer to that.
