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PRIME MINISTER

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TRANSCRIPT OF INTERVIEW WITH TERRY WILLESEE - 4 JUNE 1985

TERRY WILLESEE:

Mr. Hawke thanks for joining us.

PRIME MINISTER:

My pleasure Terry.

TERRY WILLESEE:

First up, what is the likelihood that the government's proposals on taxation will become fact?

PRIME MINISTER:

Well in the nine principles that I laid down in the election campaign - the ninth one, a very important one, was that we would want to see a broad acceptance in the community of our proposal. Now I believe, Terry, that in the period leading up to a national summit the majority of Australian people will see the good sense and benefit for them of the proposal so I think we'll get there.

TERRY WILLESEE:

You would expect heavy argument against the capital gains tax? Is there any likelihood you could change your mind on that?

PRIME MINISTER:

Well as regards the whole package the last paragraph of the White Paper says, Terry, that we want the community to examine the whole proposal and if we're in a situation where it's clear that the great majority of the community were against particular issues we would have to take that into account but I believe that the community will say that that is a sensible part of a total package. Can I just make this quick point about the capital gains tax - or two quick points: the personal home, the private home is not involved; the second thing is that it is a tax upon real gains, not on nominal gains; and the third - I'm sorry I said two - but the third and most important point is it's not a great revenue raiser but it is an absolutely important part, Terry, of the fight against tax avoidance and evasion.

TERRY WILLESEE:

But on capital gains, Mr. Prime Minister, Mr. Keating told us prior to the election the government had no plans for a capital gains tax. Now post election he tells us he not only has plans for it but he wants to implement it. Have we been deceived?

PRIME MINISTER:

No you have not been deceived. We said during the election campaign that we would prepare a position which would be put to the community as a whole about all the available areas that ought to be looked at to produce a fairer and simpler and more economically efficient system. You cannot possibly put before the community an analysis of the inadequacies of the existing system and the areas for reform without talking about capital gains.

TERRY WILLESEE:

Well why were we told there were no plans for a capital gains tax?

PRIME MINISTER:

Because there were no plans and what we've got now is a situation where we've put a preferred position to the Australian community. I repeat that if the community as a whole said look we don't want that, we would have to take that into account. But I believe the Australian community will ask itself the question - why is it that Australia uniquely of all the western countries would say there shouldn't be a capital gains tax. And I think they will come to the conclusion that it is fair that if they, ordinary Mr. and Mrs. Australian, go to work and by the sweat of their muscles or the exercise of their brain power they get income and are taxed upon it, that there shouldn't be a discrimination against them by there being no tax upon income which comes to people through no exertion of themselves. And secondly I'm sure they'll say they want to wipe out tax avoidance and evasion to the maximum extent and they will accept that this is a desirable part of that approach.

TERRY WILLESEE:

Well Mr. Hawke taxation - new proposals or the current ones - affect everybody to a certain extent. Now you're chauffeur driven to work and to social functions and to sporting events. Will your employer be obliged to pay the 46% tax on those perks that you get including, for example, your house?

PRIME MINISTER:

There'll be no distinctions Terry on the approach that will apply to us and to people generally. I want to make the point on every available program that as far as I'm concerned I'm not looking for preferential treatment and I will ensure that at the end of this process in regard any benefit that might come to be available to me in regard to reduction in tax rates that I won't be seeking to take advantage of that - on the contrary.

TERRY WILLESEE:

So you're saying all employers will be treated equally. But isn't it a bit silly that you as the Prime Minister of this country aren't entitled to a home in Canberra without your employer having to be taxed on it?

PRIME MINISTER:

Well it's not a question of it being silly. I think the point that has to be understood Terry is this - I think when you examine the paper you'll see the force of this: that fringe benefits are exploding in Australia. It's calculated that they go out to treble in something like three years time if nothing is done about them. Now all that means, Terry, is that the great bulk of Australians who don't get benefit of the fringe benefits will have a greater burden through time imposed upon

them if we don't bring them to an end.

TERRY WILLESEE:

Well what about those perks - the employer who normally provides them will now be taxed 46% on that. Won't he therefore somehow have to recover that cost and presumably pass it on through the product he sells and therefore the consumer is hit again?

PRIME MINISTER:

There will be a variety of reactions, Terry, from employers. It won't be anything consistent across the board. Some employers will say well we're prepared to absorb, others will say well we'll convert that sort of benefit to a cash payment and to the employees because of the very substantial reductions in marginal rates you'll get a benefit from that, and others may say well we won't go ahead with that particular benefit. There'll be a variety of reactions but I simply say that I believe that the Australian community when they look at the facts, see how this is exploding as an area of non-payment of tax, will say well we believe in the general interest of the community something needs to be done about it. But that's just another area, Terry, where I want the Australian community to look at this issue as a package. There, of course, in any package will be elements of it which some people won't like. What is important Terry is that people as a whole look at this tax system that we've got, see that it's disintegrating and disintegrating in way which is imposing with each passing month a greater burden on ordinary Mr. and Mrs. Australia. Now we've got to bring an end to that in the process if as a total package we can produce a fairer, a more efficient system - I think that's what Australia will want.

TERRY WILLESEE:

Well Mr. Hawke - the assets test, it was sold badly and in fact it had to be re-assessed. How hard will you be working to sell the tax proposal and are you sure you got it right?

PRIME MINISTER:

I'll be working very hard with Mr. Keating and others of my colleagues. We are not seeking to impose something. As I said the ninth principle that we laid down was that the community has got to be broadly satisfied. I want to make this point, Terry, that as of today 40%, or its 39% - 40% of all Australians who are in full time employment are now at the point where of every dollar they earn at the margin they are paying 46¢. In other words half of every dollar is being taxed. Now that's no good. We've got to get a situation where the direct tax on people is very substantially reduced. Now you can only do that by comprehensive reform and I think people will want to see that happen because your voters, Terry, don't want a situation where half the their extra dollar that they earn is going in tax and they are right in not wanting that.

TERRY WILLESEE:

Mr. Hawke, thank you very much indeed for your time.

PRIME MINISTER:

Terry, thank you very much.

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