



PRIME MINISTER

E. & O.E. - PROOF ONLY

CLOSING REMARKS - NATIONAL TAXATION SUMMIT - 4 JULY 1985

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Ladies and Gentlemen, what I would like to do in opening up what I hope will be a very fruitful session is to indicate as I see it, the areas where I think it is fair to say there is total agreement that has emerged out of the proceedings of the Summit to this date. And from that to move to indicate what we perceive are perhaps what could be described as areas of majority agreement - not total. To indicate on that basis without any concept of putting to you a package because I'm not in a position to do that, but to indicate on the basis of our response to what we perceive to be majority positions, how the Government could most usefully now proceed on the basis of the nine principles - particularly principle nine - to discharge its ultimate obligation of the package of reform.

In those terms then, ladies and gentlemen, let me say that I see these significant areas of what I think could be described as universal agreement having been reached at the Summit to this point.

Firstly, and most obviously, and certainly ultimately most importantly, is there is universal agreement that the existing inherited system - inherited by this Government - that that system has disintegrated and that there is need for reform of that system. As I discern it, every speaker in this Summit is at one on that point.

Secondly, I believe that there is general agreement that the principles that the Government enunciated as being appropriate to apply in achieving reform are the correct ones. That is the principles of equity, efficiency and greater simplicity. Let me say in respect of the second of efficiency, and I say this insofar as some representatives of the business community have said, and I believe rightly, that in talking of efficiency your concerns should not simply be of efficiency from the point of view of collection. But also, as the White Paper itself says when it is talking about efficiency, you are talking about the best allocation of resources. And in that sense the economic impact of tax reform measures need to be taken into account and included with that of course, necessarily, the economic impact of any suggested changes in the business tax area.

But, I repeat, the second area of universal agreement, I think, is the appropriate principles to be applied.

Thirdly, there has been no disagreement, as of course there could be no disagreement, in the proposition that in the introduction of any tax reform package the least privileged in the community - the under-privileged - must not only not be disadvantaged, but as far as possible their position be improved. I have not discerned any dissension from that proposition. And that applies whether the under-privileged be in employment or in the social welfare system and I believe that that universal agreement particularly applied to the lower income areas of our community with families in particular. And let me say this in asserting that that is a universal position out of this Summit that I believe equally there has been a total response to the proposition I put in the opening of this Summit that it would be appropriate that in any tax reform package that is brought to satisfy the community that that third principle that I have referred of the non-disadvantaging of the least privileged in our community. There has been, I think, universal response to my proposition about the establishment of a monitoring authority. And I can say to you that we will establish such an authority. But it gives me very much pleasure to say that in doing that I have already had some discussion and that Bishop Peter Hollingworth has responded positively to my invitation to be the chairman of such a monitoring authority. An acceptance which I think would again meet with universal approval.

The fifth principle to which I think there is again general agreement is that one of the major objectives of tax reform must be reduction of marginal rates for a whole range of reasons which are set out in the White Paper and which I believe there has been no dissension.

And let me also say sixthly, that I think there has been virtual unanimous agreement to the proposition of the establishment of a national identification card. It is true that some people, properly, have referred to the necessity in any such move to ensure that legitimate civil libertarian considerations should be taken into account. And I give not only the Summit, but the people of Australia, the unqualified assurance, that in moving to give effect to that area of general agreement in the Summit those legitimate considerations will be fully taken into account.

Now ladies and gentlemen, having said that there are those important six areas of universal agreement, of course, it is then appropriate that one should say that beyond that there is not universal agreement. That it is clear that there has been qualification, opposition, to various aspects of the proposals that have been put forward. And that is as

it should be. Because from the initiation of this exercise, the ninth principle has not been there because nine is one more than eight, but because the ninth and final principle in one sense, is ultimately the most important principle that any government concerned with trying to get community involvement in decision-making should attach importance to. And clearly in terms of principle nine it is not possible to say that there is broad community support for what was put as the preferred Government option. We acknowledge that. And it is appropriate that, straightforwardly without equivocation, on behalf of the Government I say that. We discharge the obligation that we believed we had, we put that. And it has been an option around which useful discussion, productive discussion has taken place.

Having said that, it has been the responsibility of Government, particularly the responsibility of myself and the Treasurer, then to try and distill from the contributions in this Summit where it is possible to try and distinguish what I call majority support for certain broad positions. And let me say what I discern as to broad areas where I think there has been a majority attitude emerge.

Firstly, while as I say, there has not been acceptance in terms of principle nine of the Government's preferred option, it is nevertheless true that listening to what has been said, reading what has been said, that there is majority support for the position that it is appropriate for government to look at the possibility of an extension of the indirect tax base. Not in terms of option C, but that it is appropriate to look at the extension of the indirect. And there is a clear majority position for that I believe. Also, without universality, there has been from many quarters, I think reflecting majority position, the view expressed that it is appropriate for government in the process now of discharging its obligation, to move to the creation of a final package, it would be appropriate for government to look at the question of the threshold. As to whether it may not be appropriate to look at the abolition of that, and within that look at the whole question of dependent spouse rebates, and family allowances. Now obviously, no-one in addressing themselves to that issue has either said or implied that there would not be legitimate concerns and problems that government would have to address if it was going to look at that as part of an overall tax reform. Because it goes without saying that there are problems, actual and potential there, and a government drawing up a comprehensive total package of tax reform, in looking at that would have to take account of those difficulties, both conceptual and administrative. And so that would be the case.

On that basis, I would say to the Summit that the Government would proceed, at the conclusion of the Summit, to look at the drawing up of a package which took those factors into account, the two where I say there is majority support. Going back to the question of the indirect, the extension of the indirect tax base. It appears that there would be support for a proposition of doing that by looking perhaps at

a reform of the wholesale tax base, the possible inclusion of some elements in that not there now. But provided that such reform and extension met the clear view of the Summit that nothing be done in that process which would impose unacceptable burdens on the least privileged in the community.

And in association with that, the concept of a tax on, consumption tax on services at the rate that has been talked about in the preferred option. So that you would have the concept of an extension of the indirect tax but in a way which clearly excluded food and those elements like power, to go to heating. Those sorts of things, which of themselves, would be unacceptably regressive and presume to be not sufficiently compensable in respect of the least privileged in the community.

So that is the sort of concept which it seems to us from listening to what you have all had to say, provides a majority basis for looking at tax reform.

As to the area of business tax and changes in a reform package which would impinge in the business area. Let us say to you that as we have said in the White Paper, we would see merit, as has been said, in the concept of looking at the bringing in of imputation, full imputation, into the tax in the company area to deal with what has been this very long standing, properly perceived problem of double taxation in regard to company profits and dividends. And we would be looking at that, and looking at it in terms of the associated question of trying to bring the top personal rates towards a, an involved adjusted company tax rate so that you would deal with those problems which are associated with the divergence between those two rates.

Now ladies and gentlemen, I believe in putting that to you I have, I think, accurately distilled the general view of the Summit. I repeat in saying that we have full acknowledgement of the areas where opposition has been expressed to particular elements and to where qualifications or concern have been expressed about areas that are thought worthy of investigation. And I say that particularly in the area of looking at the possible abolition of the threshold. Anyone that has referred to that of course has been conscious of the fact that there are problems and issues that need to be taken into account in that area. And of course they would be.

Now before, on that basis of introduction of this session, inviting comments, there is one thing that I wish to say. And to say clearly and without qualification of any sort. And it is said in some sense because of some speculation, observation, that may have been made. I believe that if there is one thing that I have left out of the area in which there is universal support in this Summit, it is the role that has been played in this whole process by Treasurer Paul Keating. Now, I believe that, (applause) it is clear from that response that I have discerned the mood of the Summit accurately. Now I simply want to say that the contribution that Paul Keating has made to lifting the level of community debate, both

before and at this Summit, has been without parallel, and without equal. And I want to say personally that in the process that we've gone through from the beginning of this exercise, and up to and through the Summit itself, that no Prime Minister could have asked for better, closer, more effective co-operation, than I have enjoyed with Paul Keating. Thank you Paul. So the matter is now open for discussion.