



PRIME MINISTER

FOR MEDIA

1 JULY 1986

The Government has rejected an increase of 11.7 per cent in salaries payable to Parliamentarians recommended by the Remuneration Tribunal's 1986 review.

The Tribunal, which reviews the remuneration payable to Ministers, Senators and Members, Judges, Members of the Inter-state Commission, Secretaries of Commonwealth Departments and holders of public offices, presented its report to the Government last week. It has recommended no change in the general levels of salaries except in relation to Parliamentarians where it has recommended strongly the removal of an anomaly which has existed since 1984.

The anomaly has arisen because the Government has consistently set an example in wage restraint by either not accepting or reducing the increases recommended by the tribunal. In its submission to the Tribunal this year the Government, while recognising that a real anomaly existed, submitted that it would not be appropriate to increase Parliamentarians' salaries at this time. The Tribunal has argued, however, for an increase now and has stated that compliance with its statutory obligation, and fairness and equity required that the anomaly be removed.

The Government has nevertheless decided that in the interests of restraint generally it will forego the increase recommended by the Tribunal. The only increases to apply to Parliamentarians' salaries will be those resulting from National Wage decisions.

On a related matter it should also be noted that, contrary to some assertions, Parliamentarians are subject to the same taxation requirements as other taxpayers in relation to their fringe benefits and the allowances. Indeed the particular circumstances of many parliamentarians is such that their disposable income is likely to fall as a result of the tax package.

The net outcome for particular Parliamentarians will depend to a large extent on the degree to which they spend expense of office and electoral allowances on deductible expenses. Like all other taxpayers, they will be required to maintain suitable expenditure records from today to support deductions for employment-related expenses. Any allowances not spent on deductible items will attract income tax.

This may well result in some significant increases in tax liabilities for individuals. In this regard, it is particularly relevant that entertainment expenses may no longer be claimed as tax deductions. Parliamentarians have significant expenses in this area, but will no longer be able to claim deductions in relation to them. Accordingly a significant part of their expense allowances are likely to become subject to full taxation from today.
