



## PRIME MINISTER

### TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP, PRESS CONFERENCE, PERTH, 27 JANUARY 1993

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- J: How important is the outcome of this election to the timing of when you call the federal election?
- PM: It's decidedly unimportant, because the Commonwealth Government will decide the election itself.
- J: I heard that Mr Dawkins was going to release today revised Budget forecasts. Is that on?
- PM: Not that I know of, no.
- J: Prime Minister, what's your reaction to John Hewson's comments in Adelaide on ABC radio this morning, the fact that tax has which surfaced in the political debate because you haven't got any policies to counterfight them?
- PM: Tax surfaced in the debate because a journalist, totally unconnected with the Government, wrote a profile about John Hewson's career, and has obviously meticulously gone through his past. That's why it's arisen. Nothing to do with the Government whatsoever.
- J: And you've got no qualms about somebody looking at your piggery?
- PM: I've had Liberal Senators, at Dr Hewson's behest, looking at me, asking questions two or three times a day for 8 months. I didn't hear any indignation from any of you about that process. The key point here is, Dr Hewson has made taxation the central feature of his campaign. He's saying that we have to change the tax mix from income to expenditure. You all know that low paid people, or unemployed people, or middle income people spend all of their income. So whether you tax their income or expenditure it's one in the same, it's all spent. He says that's the way we ought to raise the taxation - we'll tax virtually all of your income. But if the claims in the book are correct, he's also

saying, on expenditure we'll tax you absolutely - when you spend, on every service you consume, every good you buy, we'll tax you - but on your income tax, if you're well-advised, then we think it's OK to tax-minimise. So it's Dr Hewson's philosophy about taxation which is important here. I think what's revealing about all this is not whether he claimed this or deducted that, but his philosophy. He's saying tax is the leading issue of a national election from the coalition's side of politics. He's saying that all goods and all services in the community should be taxed absolutely at the point of purchase or sale. But for income tax he seems to be saying he thinks devices for tax minimisation are OK. It's the philosophy that matters here.

J: But you can see that he was quite within the law to do what he has done. If the philosophy was so wrong, why don't you change the laws to make what he did illegal?

PM: I didn't write this stuff, I'm not privy to his income or his returns. He can rebut this if he wishes, he hasn't to date. Therefore these were matters at the time for the Commissioner of Taxation. The point is the point in principle.

J: He said he seems keen to debate you on your taxation arrangements, would you oblige him?

PM: There's no debate, I'm a PAYE tax payer. I'm the most simple case around. Let me just make this clear to you, if you want comparability, I bought a house within one month of Dr Hewson buying his house. On my house all the deductions are carried by me, As I'm sure yours are. That is, if you live in a house as a domestic residence, the costs are not deductible. To paint the picture, or to make an arrangement where one turns a private deduction into a business expense, this is the point here, is an arrangement which minimises tax. In the comparable situation, I've still got the house, I'm still carrying the interest costs on the mortgage, they've never been deducted.

J: And for the record, your taxation rate is?

PM: I'm a PAYE tax payer, it's as simple as that.

J: And that's at what rate?

PM: Pick up the scales and have a look.

J: Do you know the rate that you're paying as a PAYE?

PM: Let me make this clear to you, there is no deduction I make that tries to turn a private expense into a business expense, that's the key point.

J: Then what rate ...?

PM: I don't put words in my rate, I'm telling you ...

- J: I'm asking the question ...
- PM: You've asked, so I'm giving you the answer. The answer is I do not seek to turn private expenses into business expenses to masquerade private expenses as business expenses. I'm quite sure all of you would be happy to turn your mortgage costs into deductible expenses.
- J: Did Dr Hewson break the law?
- PM: That's a matter for him, the Tax Commissioner, et cetera. I'm just making the point, as a matter of philosophy Dr Hewson says that taxation is the issue that matters in this country. He wants to tax expenditure absolutely at the point of sale of goods or services, but he's saying in relation to income tax that he thinks the legality, the philosophy of tax minimisation is OK. That's the key point. Can I just also say that we had these fulminations by Mr Downer overnight. For 8 months, 8 months mind you - there's a few Canberra journalists here, they'll know this to be true - for 8 months questions have been asked without foundation. Questions with no foundation and proved to have no foundation, questions were asked of me for 8 months. A lot of it was printed in the newspapers. Someone unconnected with the Government writes a book about Dr Hewson, his taxation becomes a public issue, and straight away he's saying this is dirty pool, the Government is up to dirty pool. What about the inconsistency of 8 months of this at Dr Hewson's behest. I think you should ask Dr Hewson, what was the point of his tactic?, did he think it was right?, was Senator Baume acting on his express instructions? and, does he now regret this tactic?.
- J: Is it the case that Dr Hewson is paying 15 per cent tax and you're paying 48 per cent?
- PM: I don't know what he's paying.
- J: Are you paying the top marginal rate of tax?
- PM: For a start I get rebates like you do, I get a rebate for dependent spouse and children. But I'm not turning private expenses into business expenses. Do you understand? That's the key point. I'm not about trying to turn a private expense, like the cost of my mortgage, into a business expense.
- J: Are you giving Dr Hewson back what you ...?
- PM: No, this issue arose not by us but by a book, Ms Christine Wallace has made this point. But Dr Hewson has taxation as the primary issue in a national election where he says, Australia has been inefficient and lazy and they've got to do more, and they think they should be taxed at the point of sale of their goods or their services, but to take the view that income taxation should be available for minimisation through devices. In other words, if you're a wage or salary earner you pay absolutely, but if you're well-advised you can minimise your tax.

This is a question of philosophy. It's Dr Hewson who's running on taxation, not the Government.

J: You're apparently reluctant to name ...

PM: You've had enough, are there any more questions?

J: I was just going to ask you, Mr Keating, can you tell us what your taxation rate is?

PM: I'd have to average ... It's immaterial what my rate is. I'll tell you this, I have no claim that turns a private expense into a business expense.

J: Do you think that's morally wrong.

PM: Pardon?

J: Do you think, morally, minimisation could be seen as a (inaudible)? Is that what you believe?

PM: I've never sought to do it. I bought a house the same time as Dr Hewson, I didn't tip it into a company.

J: Why not?

PM: Because I don't think such a private expense ought to masquerade as a business expense. That's why.

J: Do you think 'pay as you earn' tax payers have been paying for corporate Australia?

PM: Before I became Treasurer, the tax system was subject to massive haemorrhaging through tax avoidance and evasion, as well as minimisation, and most of the minimisation and avoidance schemes had a capital gain underneath them. I introduced the taxation of capital gains in this country. I introduced the taxation of fringe benefits into this country. As a result, people now pay their fair share of tax, which was never the case when Dr Hewson was advising Mr Howard. In those days the taxation system was in a state of accelerated haemorrhage.

J: Are you prepared to have your taxes debated in Parliament along side Dr Hewson's?

PM: Listen, mine have been debated for 8 months. You might have not noticed, or chosen not to notice, they were debated for 8 months.

J: Prime Minister, regardless of the details of who started it, do you think the electorate of Australia is interested in you and Dr Hewson's personal tax matters?

- PM: No, I don't think they are, but I think they are very interested in the philosophy of taxation which Dr Hewson is promoting as the first issue in our national politics. He's saying that all services and goods should be taxed at 15 per cent, all expenditure. You know that for wage and salary earners that means 100 per cent of their income, because their income and expenditure is the same, they don't save. They don't have enough money to save so it means that their income and expenditure is one and the same, and he says therefore we'll tax those. But one can draw the obvious point that in terms of income tax, as distinct from consumption or expenditure tax, you can minimise if you're well-advised.
- J: Mr Keating ...
- PM: Come on, you've had more than your fair go.
- J: Do you expect the Parliament will have the opportunity to debate this matter before the election?
- PM: Yes, it will have the opportunity to debate ... The Parliament is scheduled to come back in the third week of February, is it not? In that period all things will be debated.
- J: Scheduled to come back before the election?
- PM: At this stage it's coming back, absolutely.
- J: Mr Keating, apart from your personal tax and your business interests, have you never sought to minimise your tax in your business interests?
- PM: No, this was another furphy yesterday. The thing about the Liberals, here they were saying of me, Senator Baume was asking these questions because it was the right thing to do to elicit information on the needs to know basis, but when the Government says what about your position Dr Hewson? Shocking, this is a beat up, this is gutter politics! OK for the Liberals to do it for 8 months, not OK for the Labor Party to do it for 8 minutes. That's the point.
- J: What about the advantage to you that the perception may arise that it is a (inaudible)?
- PM: That's for you to report and make clear, that the issue of substance is his wish to tax the Australian electorate with a consumption tax against what is apparently his record in relation to income tax. As far as, this lady here asked me about my affairs, yesterday's statement was a total furphy. There is a think in the tax provision called 'grouping'. Companies today no longer need to run their retailing and their production within the one company. You can have a production company and a retail company and the merge together in the end. To take the profits of one and say that in some way it's not having its tax paid, to ignore the costs of the other is of course a total joke.

J: Do you consider your taxation affairs are private affairs?

PM: I consider them to be totally in order. Mine were audited by a public auditor and placed of the public record of the ASC. So you can go down there and punch a screen and go and read about them. Go and ask Dr Hewson will he make his available.

J: Mr Keating, you've called it a furphy, but to the public at large who may not be intimate with the laws of taxation, do you (inaudible) of what the Opposition is saying?

PM: No, why would they? There's not any basis in this whatsoever in this, nothing. Apparently a number of people today on radio have made that point quite clear. The grouping provisions mean, in the old days people used to have a company that had income and run all the costs against it even if the companies had different functions. After grouping provisions were introduced, you could then have a company which was a retail company and a company which was a production company, 100 per cent owned within the group. You can't look at the profits of one and not include the costs of the other. That's what they tried to do last night knowing that most of you wouldn't be on to it to try to save him some embarrassment.

J: John Hewson wants changes to the debating situation, he doesn't want a panel of journalists, he just wants a moderator. What's your reaction to that?

PM: We'll negotiate a set of arrangements, I'm not sure exactly what we've asked for. I think a panel is probably best.

J: Why did you change your mind about a consumption tax?

PM: I'm not here to give you an economic history lesson. OK?

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