



THE HON DR CRAIG EMERSON MP
MINISTER FOR TRADE

Transcript
Sky News AM Agenda with Ashleigh Gillon

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ASHLEIGH GILLON:

Joining me this morning on our panel of politicians, the Trade Minister Craig Emerson and the Shadow Attorney-General, Senator George Brandis.

Good morning to both of you.

Craig Emerson, is it fair to say that you're not going to be adopting any more controversial tax reform measures, because the Government really does have enough fights on its hands already and politically can't afford any more?

CRAIG EMERSON:

I think the point really is that we have implemented something in the order of 32 reforms - the sorts of tax cuts that Wayne Swan has talked about earlier today - to the point where we've got tax as a share of GDP down to 21.8 per cent. This is lower than in the last year of the previous Coalition Government, and substantially lower than the

record, which is held by the previous Coalition Government. They're the gold medal award winning taxers in Australia's history.

But Ken Henry laid out a blueprint, and there is obviously a range of reforms that will be discussed over the coming two days: substantially in the area of state taxes, I must say, because that's where the so-called deadweight losses, or the greatest efficiency losses, occur.

GILLON: You pointed out that you have adopted 32 measures: but that was out of 138 recommendations from Ken Henry. The Opposition is saying that your answer to everything is to just increase taxes. It claims that you've increased or introduced 19 new taxes...

EMERSON: Yeah I heard that. Yeah.

GILLON: ... in the past four years. Is that right?

EMERSON: Well I sought to get a list from Mr Hockey's website. It's not available. But what he would be talking about, I would suggest, is the automatic indexation increases of excise on alcohol and tobacco and so on.

Now, if it is the Coalition policy that they would abandon the indexation of those, then here's an opportunity for Mr Hockey or Senator Brandis to say that's a new tax policy of the Coalition, which would add to the \$70 billion black hole they already have.

GILLON: A few things for you to respond to there, Senator Brandis. But firstly, what is the harm

in getting all these experts together today from these different fields to examine what else can be done? Why is the Opposition so critical of this discussion?

GEORGE BRANDIS:

Well, largely because we think that it'll ...it's unlikely to achieve anything. But if anything comes out of this, you can bet your bottom dollar it will be - sooner or later - Labor politicians who are addicted to tax and spend will dream up new ways of taxing people.

Already there's discussion about increasing the rate of the GST. I know that Mr Swan has ruled it out, but don't forget, Julia Gillard rules out the carbon tax before the last election. So you can't believe a word this ... the leaders of this Government say about tax policy.

We know what the forum should produce. Andrew Liveris, the Australian gentleman who's the head of Dow Chemical, one of the biggest companies in the world, is one of the keynote speakers at the forum. And we know his view: that the carbon tax is a disaster, and the mining tax is also a disaster. And that both of those two big new taxes which Craig was careful to avoid mentioning should not be proceeded with.

So if the Government followed the advice of its own commercial keynote speakers, it would not proceed with the carbon tax which, I never fail to remind you, Ashleigh, is what ...is the tax they promised never to introduce, ... or the mining tax. But they won't do that; of course they won't. Because they are ideologically committed - as Labor Governments always are - to dreaming up new ways to tax people.

Finally, can I quickly correct something Craig said in relation to the Coalition's record on tax? Peter Costello reduced rates of personal tax in seven consecutive Budgets. We've seen nothing like that from this Government. What we've seen are new taxes being dreamt up every year, sometimes in defiance of specific commitments to the electorate not to introduce them.

GILLON: Focusing though on what's happening today, Senator, I understand that no-one from the Opposition is going to be attending this tax forum.

BRANDIS: No.

GILLON: Is that because you weren't invited, or just didn't want to participate?

BRANDIS: Well, we actually weren't invited. Whether we would have gone or not - attended or not - had we been invited, I don't know the answer to that question; it's a hypothetical question. But I understand Senator Bob Brown will be there. We know what his agenda is when it comes to increasing taxes on middle Australia.

We know that the Independents like Mr Oakeshott and Mr Windsor will be there with their agenda to persuade the Government to introduce - to increase, I should say - the rate of the GST.

So I think all we're going to hear from this forum is ... are going to be calls from people on or aligned with the left of politics to increase the tax burden on ordinary Australians.

GILLON: Why wasn't the Opposition invited, Craig Emerson? That seems a bit strange.

CRAIG EMERSON: I think we know their answer, which is "no, no, no, no and no". And on the point that George Brandis seeks to deny - that is, tax as a share of GDP was much higher under the previous Coalition Government than under this Government - let me just make this point in relation to both the mining tax and the carbon pricing mechanism.

BRANDIS: [Interrupts] The carbon tax, Craig. You can say tax.

EMERSON: In relation to the mining tax revenue: revenue from the mining tax is being used to cut the company tax rate and to give tax breaks to small businesses and superannuation increases to working Australians. Mr Abbott has pledged to increase the company tax rate, not only by removing the mining tax but also through his paid parental leave scheme.

He has pledged to withdraw those small business tax breaks, and also to deprive working Australians of an increase in their superannuation. And in relation to the carbon tax, that is actually being used to fund a trebling of the tax-free threshold to take one million taxpayers out of the tax system. That is a very important reform.

GILLON: We are just seeing some live pictures of the Prime Minister Julia Gillard arriving at that tax forum. Of course, when the Prime Minister does get up to address the crowd, we will take you there live.

Let's focus now on some of the taxes that we could see change as a result of this forum. Of course, the mining tax and the carbon tax do not fall into that category; the Treasurer has made that very clear.

We can, though, expect to hear a lot about inefficient state taxes like stamp duty, for example. The Treasurer has said today that it's really, he believes, up to the states to get rid of those taxes. He made it clear that if those sorts of taxes are abolished then, well the Federal Government won't be topping up these State Governments' coffers to make up for it.

Here was the treasurer this morning.

[Beginning of interview excerpt]

WAYNE SWAN:

Well there are plenty of inefficient taxes that have been identified in the tax review, and many of them are of course, some of those state taxes like stamp duties and so on. But those are matters that the State Governments have to respond to.

There shouldn't need to be an incentive for the State Governments to clean up their tax base.

I think everybody's got to come to the table with a willingness to contemplate reform.

[End of interview excerpt]

GILLON:

George Brandis, if there was a Liberal Government, would you expect the states to give up those sorts of inefficient taxes like

stamp duty without any sort of compensation from the federal government? Is that a fair enough position for the Treasurer to take?

BRANDIS:

Well Ashleigh, I think that there is common ground between the two sides of politics that there are a lot of inefficient state taxes. But might I remind you that far and away the most comprehensive reform in this area was the reform taken by the last Liberal Government when we introduced the GST and remitted 100 per cent of the GST revenue stream to the states. And, at the time, the states gave up a range of inefficient taxes that they had hitherto been charging.

So, the first major tranche of reform here was in fact initiated by my side of politics. Now, it may well be that it would have been better if the ... if at that time the states had given up more of these taxes. But they gave up as many as they could be persuaded to, and in return got 100 per cent of the GST revenue stream.

Now, there is no reform in federal-state financial relations that the Labor Party can point to that even approaches the comprehensiveness of that reform.

GILLON:

Craig Emerson, isn't it fair enough for the states to want to get some more revenue streams coming in if they are going to be forced, effectively, to give up these sorts of state taxes?

EMERSON:

Well, George has made the point that the GST was introduced. At that time, it collected \$24 billion; it is now collecting \$48 billion. So it's

not as if the states don't have a growth source of revenue; they do.

The Commonwealth's playing its part. This Government, the Labor Government, has delivered three rounds of tax cuts and an Education Tax Refund. We're cutting tax as a share of GDP, but Wayne made the obvious point that there are - and Henry said the same thing - an array of inefficient state taxes.

There is scope for the states themselves to re-order their tax priorities. Stamp duties on a range of activities including, for example, on insurance. You'd wonder why there were stamp duties on insurance: you'd probably want to encourage people to take out insurance, not discourage them.

But these changes would need to be funded. Already there is this big source of revenue growth, which the states always wanted. Now of course, they say, 'well, if we're going to change any of our taxes, the Commonwealth's got to foot the bill'.

Well, we think that there is a very big opportunity within the vast array of state taxes to get rid of some, or reduce some and fund that internally.

GILLON:

Of course, there is also the jobs forum which is happening on Thursday. We expect at that forum, and as well with these tax discussions ... we're expecting to see quite a focus on the manufacturing sector. Today, the Treasurer ...actually I'm just being told that the Prime Minister Julia Gillard is being introduced at the tax forum happening here at Parliament House

today. So, we are going to take you there now,
live.