

If it's tax reform you want, try the GST

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Next week marks the 10th anniversary of the GST. Along with income and company tax, the GST now anchors the Australian taxation system. It enjoys bipartisan support - so it was off limits for the recent Henry review on taxation.

It was not always thus. There was no more ferocious opponent to the GST than Prime Minister Kevin Rudd. Opposing the passage of the legislation in Parliament he declared: "When the history of this Parliament, this nation and this century is written, 30 June, 1999, will be recorded as a day of fundamental injustice - an injustice which is real, an injustice which is not simply conjured up by the fleeting rhetoric of politicians. It will be recorded as the day when the social compact that has governed this nation for the last 100 years was torn up."

I doubt anyone (including Rudd) will be writing next week of the injustice of the GST or the need to repeal it. It will not be written that way in the history of the Parliament or the history of the century. I don't even think the lopsided history courses that Julia Gillard wants to introduce to schools will mark June 30, 1999, as "a day of fundamental injustice".

After hearing Rudd's denunciation of the GST I formed a view (how do I put this delicately?) that he was stronger on rhetoric than on conviction. Others may have come to that view more recently: climate change was "the great moral and economic challenge of our time", until it became politically inconvenient. Health changes "the greatest reform since Medicare" consisted of grabbing 30 per cent of GST revenue from the states. Last year Rudd discerned an event of "truly seismic significance" in human history, "a turning point between one epoch and the next", which was supposed to be the death of market economics.

The Prime Minister was not the only senior Labor figure to foretell disaster. Treasurer Wayne Swan said the GST would lead to "the savage reduction in the living standards of Australian families and Australian pensioners". He, too, regularly describes events as "the greatest" and "the biggest", especially if they involve a cameo role for himself.

When the government accepted four of the 138 recommendations from the Henry tax report, Swan declared it was "more significant than anything I can think of" and hailed it as the greatest economic change "in our lifetime".

Wayne, when the history of this Parliament, this nation, this half-century is written they will not be talking of your response to the Henry tax review.

Let us go back to what did happen 10 years ago. Australia introduced a broad-based consumption tax in return for the abolition of wholesale sales tax, financial institutions duty, debits tax, bed taxes, stamp duties on shares, on leases, on mortgages, on cheques. A further tax should have been abolished - stamp duty on business property (including land) - but the states dragged their heels and eventually got the Rudd Labor government to release them from that obligation.

On the payments side, 12 family benefits were simplified and combined into three. Rebates for private health insurance premiums were introduced. Income tax was slashed. Back then every dollar of income over \$50,000 was taxed at 48.5 per cent. Now the threshold is \$180,000 and the rate is lower.

Pay-as-you-go tax was introduced with business making quarterly payments. All business in the country had to register for an Australian business number. The states were given a growth tax.

Although the GST did not survive the Senate unscathed, it is a broad-based tax with a single rate. And by world standards it is a low rate. Overall, the tax burden was reduced.

This is what is meant by tax reform: abolishing inefficient taxes, simplifying existing ones and reducing the tax burden. It is a far cry from introducing a complicated new tax such as the resource super profits tax on top of existing taxes and increasing the overall tax burden.

The GST was not without its controversy. Social welfare groups and unions opposed it. Labor figures made astonishing claims: such as the former Queensland minister for energy who claimed electricity price rises would force people to take cold showers and that "cold baked beans for lunch, cold fish and chips for dinner would become part of the Australian staple diet". The Professional Hairdressers Association claimed people would not

be able to afford haircuts and without assistance baldness would increase. The left-wing Australian Institute claimed "65 more people will die each year".

It was all predicted - starvation, baldness and death. Why should we mark the anniversary? It gives perspective. It allows you to see how far things have come. And to recall, now the evidence is in, just who is credible on tax reform and who is not.

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