



**Statement on Tax Reform
House of Representatives**

Main Committee

12 October 2011

Sharon Grierson MP

Ms Sharon Grierson (Newcastle) (4:06pm): It is a pleasure to rise to speak in this tax reform discussion and it is also a pleasure to follow the desperately irrelevant member for Casey, another member who, like his colleagues, has opposed every reform ever put forward by a Labor government: superannuation, Medicare, the NBN, clean energy and now tax reform.

Over the past few years we have heard media commentators declare that the reform era has ended, that the Hawke, Keating and Button reforms of the 1980s and 1990s were the high point of reform in Australia. But we saw at the government's tax forum last week, which I attended, that the dialogue of reform is ongoing. It is alive and well. It is a conversation that this Labor government will continue to engage in proactively with all Australians. Yet those on the other side were not even there.

At the tax forum we heard from big and small business; we heard from community groups, the welfare sector and unions; we heard from tax experts, economists and members of state and federal parliaments, including the Premier of New South Wales; and of course we heard from our Prime Minister and Treasurer. At times, there were sharply opposing views expressed, but we found some genuinely common ground and achieved a strong level of consensus among organisations and individuals with contrasting positions. By bringing stakeholders together and hearing each of their at times divergent voices, the tax forum provided what a program director of the Grattan Institute and participant at the forum, Saul Eslake, described in the *Age* today as the 'starting point' for far-reaching reforms.

At the tax forum held last week the penny finally dropped. It dropped for all those members attending and it dropped for some in the media. And that penny was taken up by the Treasurer. The tax forum demonstrated how goodwill and constructive policy discussion can build consensus. Unlike those in the Liberal Party and the National Party, we believe in a way of doing government that is evidence based; that does not listen to the inflexible negativity of cynics and those in the opposition but focuses on those positive and reasoned voices in the Australian community; and that works to build consensus around ideas like tax simplification and national harmonisation. While the forum produced a number of strong reform outcomes, as the taxation review chairman, Ken Henry, observed, its key role lies in opening people's minds to a forward-looking reform agenda in order to meet the current and future needs of our patchwork economy.

As part of the carbon pricing scheme, we have tripled the tax-free threshold, effective from 1 July 2012. And the Treasurer announced at the end of the tax forum that, as the budget allows over the coming years, we will gradually increase the threshold to \$21,000 in order to remove the low income tax offset and further simplify the tax system so as to spare over one million low-income earners from the inconvenience and expense of lodging a tax return. Remember that 80 per cent of Australians go to a tax agent, even though there is not always the need to. Saving them that expense is an important thing to do. According to George Megalogenis, writing in the *Weekend Australian*, this 'is the reform we have to have ... placing economic efficiency above political expediency'. The Treasurer also announced the establishment of a business tax working group that will develop ideas about the tax treatment of losses and explore ways to fund any changes to business tax as well as look at longer term business tax reform ideas. The states, led by Queensland and New South Wales, will develop a plan for state tax reform to bring to COAG in order to address existing inefficient state taxes. That was a landmark, and I congratulate those representative state parliaments who generously offered to work with us.

We heard from the member for North Sydney today that tax reform meant smaller government. The subtext to that assertion, though, is that, like their Tea Party cousins in America, ideology rather than common sense governs the economic thinking of the Liberal Party. Tax reform is about modernising and simplifying the tax system in a changing economy, while ensuring that government has adequate financial resources to support essential public services and meet the

future needs of the Australian people. I encourage the member for North Sydney to consider what was said by Ken Henry at the tax forum, particularly that the fairness of the taxation system must be understood within the context of the system as a whole and not be based on the fairness of each of its specific taxes.

Finally, I would like to leave you with this insight expressed by George Megalogenis when he said that with the passage of economy-wide tax reforms, such as the carbon tax, by this Labor government:

'Abbott becomes not a conservative but a reverse-engineer. What hope for reform in, say, 2016 if a prime minister Abbott is still furiously trying to return Australia to 2006?'