

CAMPAIGN 98 WEEK FIVE

Treasury papers show new tax's extra burden

By PAUL CLEARY
Economics Correspondent

The Federal Treasury has conducted a detailed analysis of the impact of the goods and services tax which is believed to show a significantly greater burden on low-income earners than the figures released publicly in the Coalition's tax package.

Treasury has confirmed in writing to the *Herald* that it analysed the impact of the tax package on the basis of different spending and savings patterns. The results, however, were not published in the tax package and Treasury has refused to release them under the Freedom of Information Act.

The unpublished analysis is at odds with the controversial methodology in the tax package, which assumes that the rich and poor have identical spending and saving patterns.

This approach has been sharply

criticised by the Australian Council of Social Service (ACOSS), and Dr Neil Warren, one of the key architects of the Coalition's 1991 Fightback package.

The *Herald's* FOI search confirms that Treasury conducted a detailed analysis based on the Bureau of Statistics Household Expenditure Survey (HES). The HES reveals the varied spending patterns of different household types, and was used as the basis for compensation in the 1985 Draft White Paper, and the 1991 Fightback package.

But Treasury and the Government rejected this approach in the tax package, triggering criticism from leading tax experts and academics.

A similar analysis of the tax package by the Melbourne Institute, based on the HES, reveals that the cost of the GST for the bottom 20 per cent is more than double the Government estimates.

For families with three or four children, the cost is three to five times the Coalition's estimates.

For example, the cost of the GST would be \$18 a week for a two-child family on an income of \$289, whereas the Coalition says the impact is just \$3.36.

But Treasury describes the HES approach as "an inappropriate methodology", even though it then went and analysed the impact of the package extensively on the basis of the HES.

The *Herald's* FOI identified 12 Treasury documents in which the cost of living impact of the GST is analysed in detail. Some of the documents refer specifically to the HES as the basis for analysis, but none of this material has been released publicly.

Treasury has declined to release 11 of the documents, claiming an exemption under section 36 (1) of the FOI Act. It describes them as internal

working documents, and their release could be "potentially confusing and so is contrary to the public interest".

The release of one document was deferred until after the election in view of the caretaker conventions, which prevent the release of information of a political nature.

But a detailed description of the 12 documents reveals the extent to which Treasury has researched the impact of the GST on the basis of the HES, despite having rejected this approach.

Some of the documents are described as:

- Comparison of published price effect estimates with HES-based estimates;
- Changes in weekly expenditures using original HES record weights;
- Untitled spreadsheet showing a matrix of results for income groups by household type.

GST will be forever, warns Beazley

By MIKE SECCOMBE
in Canberra

It would be impossible for any future government to repeal a GST, or even amend it to exclude food, once it was introduced, the Leader of the Opposition, Mr Beazley, said yesterday.

In an address to the National Press Club in Canberra, Mr Beazley hammered home the message that the way the Howard tax package was structured, with revenue and power over the GST to be ceded to the States, made it impossible for a Federal government to repeal or amend it.

The Opposition Leader also warned that while Mr Howard's promise to implement the package was a "core" promise, the compensation package, intended to recompense low income earners for the additional cost of goods and services, was vulnerable.

And because the Howard package had not given the business community much tax relief, it was likely that business would press the States to raise the GST rate to allow for the abolition of payroll tax.

"That's another 5 per cent on the GST; it would go to 15. Mr Howard puts himself in a position where all reliance is going to be based on a goods and services tax. It is easy to see a Liberal government with a cutting record shifting more and more of the responsibility [for future revenue needs] on to the States."

"Well, if you really want more for your schools, stick another 1 per cent on the GST. If you really want more for your hospitals, stick another percentage point on the GST."

Mr Beazley said Australians should ask three questions about the competing policy agendas of the major parties: "what is irreversible, what is believable and what is fair?"

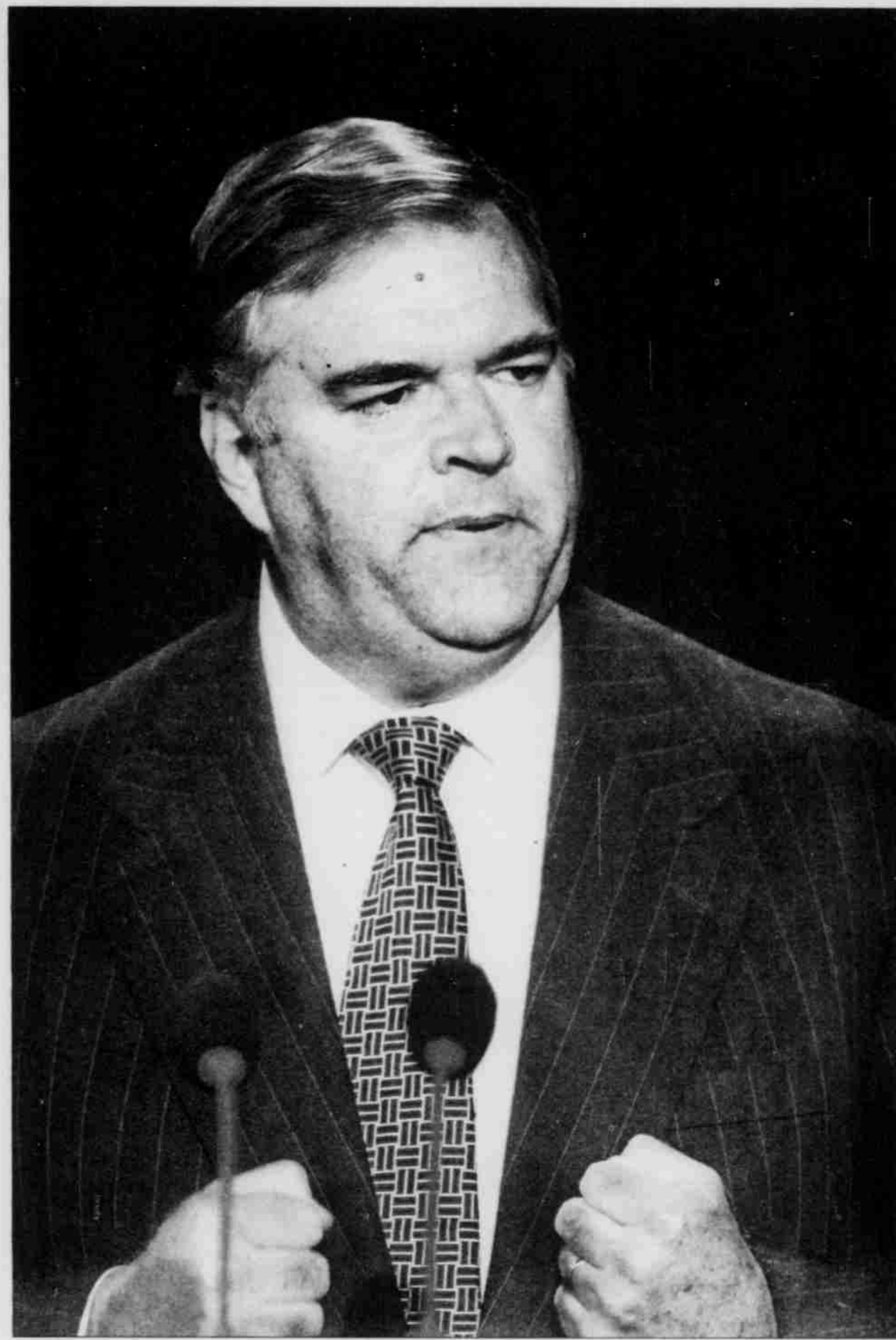
"If John Howard is given the green light to sell all of Telstra no subsequent government will be able to buy it back. It will be sold for good, up to 35 per cent of it to foreign owners."

"If John Howard is allowed to bring in a GST... nothing will blast it out again."

He also noted that the Howard Government had made cuts to government services of \$27 billion in its first Budget in 1996, and had cut another \$14 billion the next year.

"These are not the actions of a man who will die in a ditch to save a compensation package."

Mr Beazley characterised this



Tax warning... an earnest Opposition Leader spells out the permanent peril of a GST at the National Press Club yesterday.

Photograph by MIKE BOWERS

election as the last chance for politicians to rescue their standing with the Australian people. He thought both he and the Prime Minister had run a reasonably civilised campaign at a personal level, although he damned the overwhelming negativity of the Coalition's advertising campaign.

"He [Mr Howard] is so

ashamed of his own record in government that he has not, and will not, run one positive advertisement. He is so ashamed of his own record, he asks the Australian people to vote against the last Labor government one more time."

Mr Beazley then distanced himself more sharply from the former Keating regime than he

previously had. "This is today's Labor Party - not yesterday's."

There were no big new promises, although Mr Beazley said he would establish an independent auditor of politicians' perks and a code of conduct on his ministers which was at least as tough as Mr Howard's. But, unlike Mr Howard, he would enforce it.

MIKE SECCOMBE

Top Libs in danger in Tasmania

Tasmanian opinion polls are firming to show the two senior Liberals, Mr Warwick Smith and Mr Chris Miles, face beatings at the election as the State's voters buck the national trend.

In the Launceston electorate of Bass, the Family Services Minister, Mr Smith, has admitted he has a "very difficult fight" to keep his seat and, if the polls are correct, Tasmania would have no Liberal members of the Lower House.

Mr Smith has been unable to make an impact on the 5.5 per cent lead held since the campaign's start by Labor's Ms Michelle O'Byrne, according to a poll for *The Mercury* newspaper carried out earlier this week.

And in the north-west regional electorate of Braddon, backing for Mr Miles, the Prime Minister's parliamentary secretary, is said to have slumped by about 3 per cent in a month, while the ALP's candidate, Mr Peter Sidebottom, has gained steadily to lead by about 6 per cent.

Underlining the dangers to the Government MPs, a separate poll carried out over a week ago for *The Examiner* found an even stronger trend against them, though with more voters undecided. There was also little comfort for the Liberals in preferences, with One Nation's support disappearing, while Greens and Democrats improved or held their ground.

Solid opposition to both the GST and the sale of Telstra emerged in the polls. If the voters carried the results through on Saturday, Labor could gain a clean sweep of the island State's five seats.

Labor alters policy to placate farmers

Labor's capital gains tax policy will be changed to avoid penalising farmers whose properties have been devalued by the rural downturn.

Under the Labor tax plan, the exemption from capital gains tax (CGT) on assets held before 1985 would be lifted, with the tax to be levied on any increase in the value of the asset after January 1999.

The Opposition Leader, Mr

Beazley, yesterday flagged the modification of the policy after criticism over recent days that farm families would be exposed to disproportionately large capital gains tax liabilities because their properties would be valued at the bottom of the market and then would rise sharply when the rural economy improved.

The issue prompted the first angry protest of the Beazley campaign yesterday, when Lib-

eral Senator Bill Heffernan, a farmer, crashed a press conference in Queanbeyan, near Canberra, to shout about the CGT anomaly. "You're going to take 47c in the dollar out of them," he shouted at Mr Beazley.

At first, Mr Beazley defended his policy, saying those who held pre-1985 assets had received the benefits of capital growth, free of CGT for 15 years, and the Labor policy simply sought to

treat all assets equally. But three hours later, when he was asked about the same matter after his address to the National Press Club, he had a different answer. "A valid point has been raised about the particular experiences of farmers next year, but I have looked at one or two good suggestions in the paper about how those valuations might be done," he said.

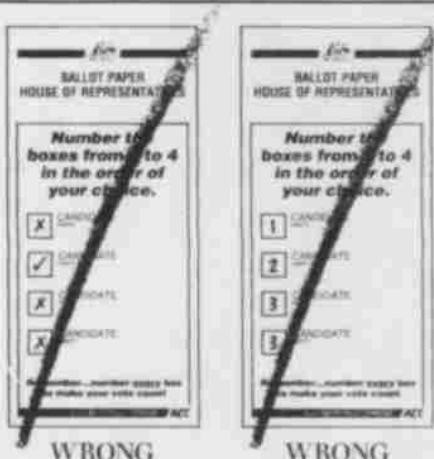
MIKE SECCOMBE

Whether you have three, four, five or even more boxes on your House of Representatives ballot paper, remember to place a number in every box.

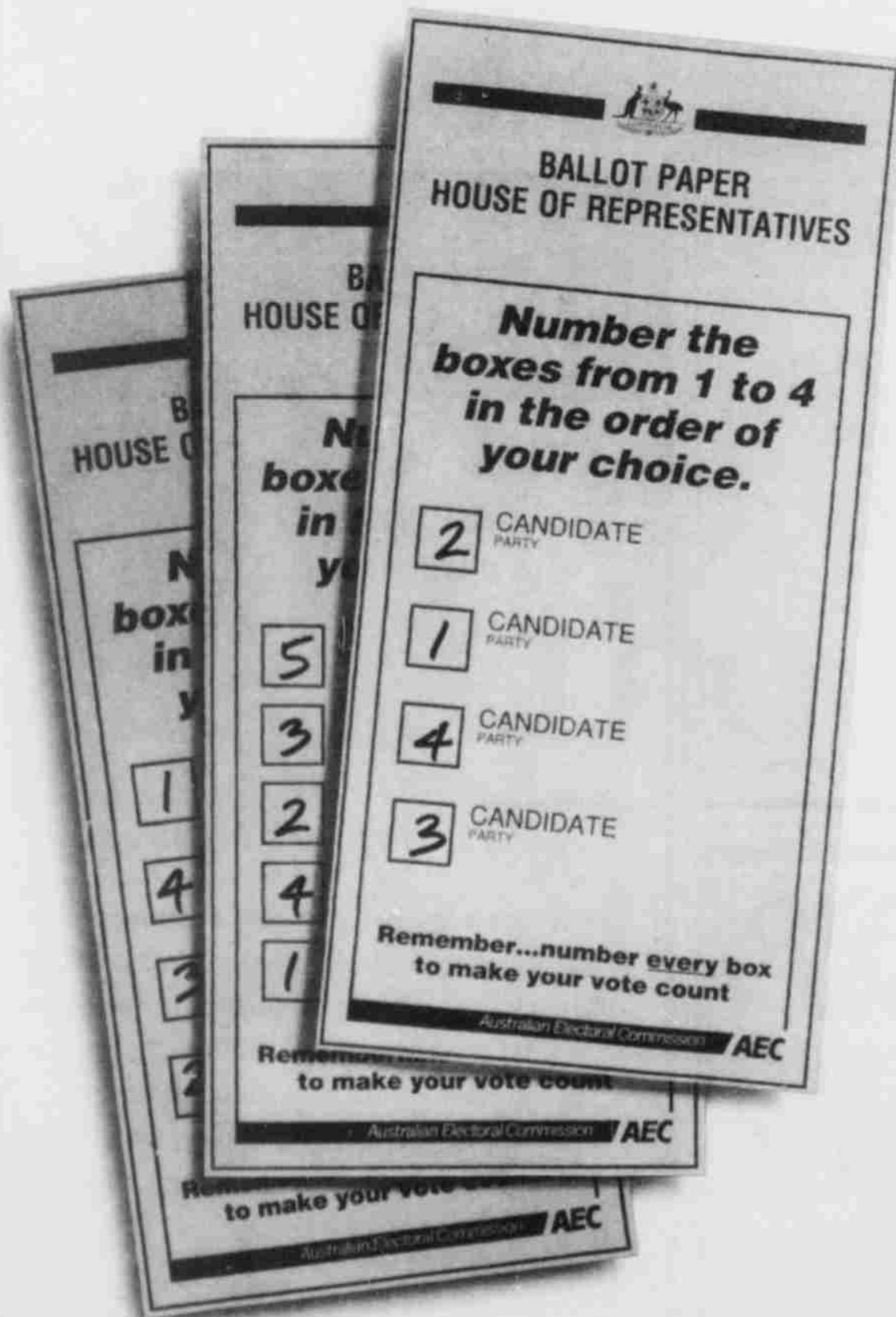
If you use a tick or cross, or leave boxes blank, your vote won't count and if your vote doesn't count, you can't have your say. So make sure you have your say this Saturday. Remember, it's your right, don't get it wrong.

Enquiries 13 23 26

www.aec.gov.au



Number every box.



Federal Election, Saturday, October 3rd.

Australian Electoral Commission AEC

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Federal voting and leadership approval ACNielsen Poll

	March 1996 Election	Oct18 1997	Nov23 1997	Feb1 1998	Mar29 1998	May24 1998	Jul16 1998	Aug15 1998	Sep1 1998	Sep9 1998	Sep16 1998	Sep23 1998	Sep29 1998	NSW	VIC	QLD	SA	WA	By Area City Rural	By Gender Male Female	By Age 18-24 25-39 40-54 55+						
Labor	39	42	42	45	41	41	39	41	42	39	43	43	40	39	47	39	35	35	43	36	38	42	45	41	41	37	
Coalition	47	38	36	37	40	39	34	40	43	43	42	41	42	41	43	38	47	48	40	46	40	43	32	39	44	47	
Democrat	7	6	5	5	6	4	4	4	3	4	3	5	5	5	4	3	10	6	6	4	6	4	6	6	5	4	
Greens	2	3	4	3	3	3	4	2	1	2	2	2	2	2	2	1	1	3	2	2	2	2	4	3	1	1	
Independent	4	3	4	2	3	4	3	2	2	2	2	2	2	2	1	3	<1	2	1	3	3	1	3	2	2	1	
PH One Nation	-	6	7	5	6	7	14	10	8	8	8	7	8	9	3	14	7	6	7	9	9	6	9	8	6	9	
Other	2	2	2	2	2	2	2	1	1	1	1	1	1	2	1	2	1	2	1	2	1	1	1	2	1	1	
Two party preferred																											
Labor	46	53	54	56	52	52	56	52	51	49	52	52	50	49	53	51	46	43	52	46	49	50	59	52	48	45	
Coalition	54	47	46	44	48	48	44	48	49	51	48	48	50	51	47	49	54	57	48	54	51	50	41	48	52	55	
Prime Minister Howard's performance																											
Approve		41	44	41	46	39	47	49	49	49	50	50	52	53	50	55	51	54	50	57	52	53	44	52	53	56	
Disapprove		51	44	48	44	50	44	42	42	42	43	42	41	41	43	41	37	39	44	37	43	40	48	42	41	39	
Uncommitted		8	12	11	10	11	9	9	9	9	7	9	7	6	7	5	12	7	7	6	6	8	10	7	7	6	
Opposition leader Beazley's performance																											
Approve		54	54	52	49	49	51	51	54	59	57	54	55	56	56	52	47	55	58	49	55	54	62	63	64	52	
Disapprove		32	31	32	37	37	36	36	36	31	32	35	36	33	38	36	37	31	41	36	34	27	38	36	37	37	
Uncommitted		13	15	16	15	14	13	14	12	10	11	11	9	11	10	17	8	11	11	10	9	12	11	11	9	11	
Preferred Prime Minister																											
Howard		41	43	41	44	42	43	45	41	41	41	43	47	47	44	48	48	49	44	51	46	47	37	45	47	52	
Beazley		43	41	40	39	42	40	39	44	46	43	42	44	44	38	38	39	45	38	43	41	52	44	52	44	39	39
Uncommitted		16	16	18	17	16	16	16	16	14	14	11	9	11	14	14	11	11	11	11	11	11	11	11	13	9	

The maximum margin of error to apply to this example is 2%. Uncommitted votes (8%) were redistributed. SA also includes NT. Figures may not add up to 100% due to rounding.

Senate polling

	March 1996	Sept 1 1996	Sept 16 1996	Sept 23 1996	Sept 29 1996
ALP	36.2	37	38	35	32
Coalition*	44.0	40	39	36	38
Democrats	10.8	9	9	13	15
One Nation	-	8	8	7	8
Greens	0.8	2	3	4	3
Other	8.3	4	3	4	4

*Includes CLP (a) 10% undecided excluded (b) 11% undecided excluded (c) 7% undecided excluded

Leader approval ratings 1972 to 1998

	Prime Minister	Opposition Leader
1972	McMahon 34	Whitlam 48
1974	Whitlam 57	Snedden 40
1975	Fraser 54	Whitlam 40
1977	Fraser 46	Whitlam 41
1980	Fraser 43	Hayden 61
1983	Fraser 40	Hawke 62

*Second last rating

Support for a 10% GST

	Support	Oppose
Aug 15	44	42
Sept 1	42	47
Sept 9	41	48
Sept 16	39	52
Sept 23	37	53
Sept 29	39	52

SOURCE: ACNIELSEN

Howard makes late run for victory, poll reveals

From Page 1

59 per cent of voters, including a majority of Coalition, Democrat and One Nation supporters, believe Mr Howard has the right to introduce the GST if he wins. The poll shows that voters are

more likely to think Labor's policies will benefit them personally, but to believe the Coalition's platform is better for Australia.

The shift will reinforce the fears of Labor strategists that their primary vote is not high

enough to deliver the 27 seats they need to win. The poll suggests Labor will win a lot of seats, particularly in Queensland and Victoria. But the Coalition is confident it can limit Labor's gains in NSW to fewer than four.

Mr Howard's personal standing has also improved markedly over the past week. He is rated preferred prime minister by 47 per cent of those polled, up 4 points, while Mr Beazley's rating fell 1 point to 42 per cent.

They are the most popular leaders to contest an election in the past 10 campaigns. ACNielsen reports it is the first time that both leaders have recorded approval ratings of more than 50 per cent before an election.