

GOODS AND SERVICES TAX, REDUCTION IN STATE TAXATION

105. Mr MURRAY to the Deputy Premier:

I refer to the statement in *The Australian Financial Review* of 30 May that “the Federal Treasurer, Mr Peter Costello, last night called on other States to cut their taxes, saying the GST had given them growth tax and funding certainty”. Will the Deputy Premier explain to the Parliament the validity of the federal Treasurer’s statement?

Mr RIPPER replied:

Peter Costello is just wrong, or perhaps I should say he is out of touch, tricky and mean in his attitude to State Governments. Let us examine his statement that we have a growth tax and funding certainty. The goods and services tax revenue is divided up by the Commonwealth Grants Commission, which has penalised Western Australia \$365 million over the last eight years. The State is receiving \$365 million a year less now than it would have received eight years ago. Western Australia is not receiving additional money because of the goods and services tax. As a result of the GST, Western Australia will not be ahead of previously existing tax arrangements until 2004-05. Western Australia must receive special top-up payments from the Commonwealth in order to remain in the financial position it was in before the imposition of the GST. The top-up payments from the Commonwealth are reduced due to two assumptions. The first of these assumptions is that there will be a growth dividend for the State as a result of the goods and services tax. There has been no economic growth as a result of the GST; quite the reverse. Business investment fell by 20.6 per cent in 2000; and new dwelling investment declined by 15 per cent in the September quarter, and 11 per cent in the December quarter of last year. The domestic sector of the State economy actually shrank in the last two quarters of 2000. That puts paid to the notion that there might be a growth dividend.

The other aspect of the GST arrangements agreed to by the coalition Government that has reduced payments to the State is the assumption that state agencies would be able to realise savings from the removal of embedded wholesale sales tax. The forward estimates are based on the idea that agencies will be able to realise savings of \$221 million. Members opposite who have been ministers know that their agencies cannot realise those savings. The whole Peter Costello-Richard Court idea that agencies would find that their suppliers would give them cheaper prices as a result of the goods and services tax is just not coming to pass. The goods and services tax is not giving the State additional revenue; quite the reverse. The State is suffering as a result of the agreement made by Richard Court and Peter Costello on the goods and services tax. The bottom line is that there is no capacity for this State to engage in a tax competition with the other States because of the financial legacy left by the Leader of the Opposition and his mates.