

GOODS AND SERVICES TAX AGREEMENT - ABOLITION OF TAXES

40. Mr P.D. OMODEI to the Premier:

Last week the Premier announced that the state government would abolish three more taxes worth \$924 million over five years as part of its state tax review.

- (1) Is it true that it was implicitly agreed under the goods and services tax agreement that these taxes would be scrapped if the state had the capacity to do so?
- (2) Is it true that these measures will provide only \$78 million in tax relief in 2006-07, even though total revenue has increased by \$5 billion since 2000-01?
- (3) Is it also true that these measures will return less than 1.6 per cent of the estimated total tax take for 2005-06?

Mr A.J. CARPENTER replied:

I thank the Leader of the Opposition for the question. I take this opportunity to congratulate the Leader of the Opposition, the member for Warren-Blackwood, on his ascension to the position, and wish him the best. I also congratulate the new member for Victoria Park and wish him a long and successful career in the Parliament of Western Australia. I know he has a lot to offer, and the Parliament will be enriched by his presence. Well done.

Government members: Hear, hear!

Mr A.J. CARPENTER: The answer is as follows -

- (1) No.
- (2) Yes.
- (3) I am not exactly certain of the percentage, but I do not dispute it.

In relation to our position on the abolition of those three taxes, we could have stood our ground against the commonwealth. As I understand it from the Treasurer, no requirement was placed on us, as part of the GST agreement, to abolish those taxes. We were, however, looking for ways of reducing the tax impost on Western Australians, albeit with the limited capacity that the states have to raise taxes. As the Leader of the Opposition knows, we have a very narrow tax base; and it is getting narrower and narrower all the time. My view, which is shared by the Treasurer, and others, was that in the face of the position that the commonwealth was taking, this course of events was the most logical to adopt. If we had sought to reduce state taxes in other areas, we would have faced the prospect of going to the Treasurers' conference this coming Friday and being advised by the federal Treasurer, Mr Costello, that Western Australia, because of its refusal to abolish the three taxes mentioned by the Leader of the Opposition in his question, would be penalised in its goods and services tax payments. We would have lost money anyway. That would have been an illogical and pointless outcome. We would have been punished by the commonwealth with a reduction in our GST revenues, when we were looking at reducing the tax take in any case. This is the best course of action, given the circumstances. The answer to the second part of the question, as I recall the figures from our discussion, is that the reduction in the tax take in this financial year will be \$78 million, and that will grow as the taxes are abolished in the years to come.

In the broader context, Peter Costello can say, at a national level, that state governments should slash taxes - as could the federal government - but all that means is that they will have less revenue and, therefore, less money to deliver the services and infrastructure which the community wants and which, at the moment, Western Australia needs. The Western Australian economy is growing very strongly. The government claims some credit for that, although the opposition disputes it. This is generating some good revenues for the state government. However, we are not putting that money under the mattress, hoarding it for some political purpose or donating it to the Labor Party. Members should look at the budget papers. The government is spending enormous amounts of money on infrastructure. Over the period of the forward estimates, \$15 billion, rising to \$18 billion, is allocated for investment in infrastructure. It has never happened before, and is probably surpassed in scale only by what Sir John Forrest did in building the goldfields water pipeline. The government has planned enormous infrastructure expenditure. Investing the revenues being received now in that infrastructure is an investment in the future. If we do not start paying off the bill for that infrastructure now, while we can, when revenue growth slows, or perhaps even goes into decline, the very high debt incurred by investment in that infrastructure could place the state in a difficult financial position.

Mr P.D. Omodei: What about the \$2 billion surplus in your budget?

Mr A.J. CARPENTER: I have explained it to the Leader of the Opposition and, although he may not agree with it, he must understand it. We are investing that money in paying off infrastructure. Contrast the performance of the present government and the management of its finances with that of the previous

government, of which the Leader of the Opposition was a part. The opposition had very good times when it was in government, although it had a couple of difficult years. The present government had a couple of difficult years when it first came to government, but still ran a small surplus. It did not outspend its capacity. We took the decision that we would have to be disciplined. The previous government ran into operating deficits. Everybody knows, even on the opposition side, that the previous government was undisciplined in the way it dealt with the budget. The opposition may or may not regret that, but if it does not regret it, it runs the risk of repeating that poor performance when it is again elected to government. They are the facts. The previous government was not disciplined. The government at present has good revenues, which it is investing in the future of Western Australia by investing in infrastructure. That is the right thing to do.