

IPA MEDIA RELEASE

Institute of Public Affairs | Australia's leading free market think tank

Thursday, 17th September 2009

TAX CUTS INSTEAD OF STIMULUS SPENDING GIVES AVERAGE AUSTRALIAN \$8,200 TAX CUT

If the Rudd government had implemented a one-off income tax cut the average Australian taxpayer would have received a one-off tax cut of more than \$8,200 in 2008-09, according to new research released today.

The total size of the Rudd government's fiscal policy decisions taken during 2008-09 is expected to be \$97 billion over four years. If the government instead gave a one-off personal income tax cut equal in size to this, the average individual Australian taxpayer would have paid \$8,228 less in tax last year.

Alternatively, for about the same total cost, the government could have cut income tax to zero for everyone, except the richest three per cent of taxpayers.

These findings are contained in a report *Tax Cuts - Not Stimulus Spending* released today by the Institute of Public Affairs, a free market think tank based in Melbourne. The report was written by Dr Alex Robson, Visiting Fellow at the Australian National University in Canberra.

'Tax cuts are the best way to grow the economy. They increase an individual's economic freedom and allow people to keep more of their own hard-earned money. While permanent tax cuts are the best stimulus, even a temporary income tax cut would improve individual incentives and produce higher economic growth than wasteful, ill-directed spending.'

'Tax cuts would also have lifted Australia's productivity and reduced unemployment. Tax cuts make it cheaper for employers to hire staff.'

'Much of the stimulus package is being wasted, and it is a very ineffective way of creating jobs.'

'At a time when Australians are under financial stress and suffering under debt, an extra \$8,200 in the pockets of working families would have made a huge difference,' said Dr Robson.

For more information and media comment

| | | |
|-------------|---|--------------|
| Alex Robson | Report Author | 0458 457 083 |
| John Roskam | Executive Director, Institute of Public Affairs | 0415 475 673 |

The report *Tax Cuts - Not Stimulus Spending* is available on the Institute of Public Affairs website at www.ipa.org.au.