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

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HENRY TAX REVIEW MUST RECOMMEND TAX CUTS

According to Australia's leading free market think tank, the Institute of Public Affairs, Treasury Secretary Ken Henry's review into Australia's taxation system must recommend substantial tax cuts.

Henry's speech yesterday to the Australasian Tax Teachers Association revealed the major weakness of the tax review commissioned by the Rudd federal government – a failure to redress the expansion in government spending over recent years.

'Taxation is only one part of the fiscal equation,' IPA Research Fellow Ms Julie Novak said.

'A genuine review into public finance needs to reflect on the fact that the level of Australian government spending is projected to grow to nearly 27 per cent of gross domestic product this financial year.'

'Henry is using the government's profligate spending as an excuse to raise taxes and bail out the budget,' Ms Novak said.

'Instead he should be focusing on the quality and quantity of that spending, hunting every avenue possible for tax reductions.'

Increased taxation will have a substantial impact on the economy.

'If the Henry review does not recommend tax cuts, it will be very unlikely that Australia will meet the productivity growth the Prime Minister said was needed for Australia's future,' Ms Novak said.

'Tax competitiveness will be vital if Australia is to attract skilled labour and capital to offset the economic effects of an ageing population.'

Each year the Institute of Public Affairs' State Business Tax Calculator reveals the impact state taxes on business – part of the scope of the Henry Tax Review – have on the economy.

'If the Henry Review wants to set up Australia's taxation system for the future, it will recommend widespread tax cuts on business and individuals,' Ms Novak said.

For more information and comment:

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