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Federal/State blame game to continue after Henry Review

Recommendations from the Henry Tax Review for states to abolish some of their own taxes, without giving states the power to raise revenue, are a recipe for the federal/state blame game to continue according to the Institute of Public Affairs, a free market think tank.

The final report of the Henry Review recommends the states abolish their transactions based taxes and payroll tax, to be replaced with a new cash flow tax, and a broader-based land tax. The Commonwealth also plans a 40 per cent resource rent tax on top of existing state mining royalties.

'What is missing in the Henry Tax Review are realistic proposals to end the blame game between the commonwealth and states once and for all,' IPA Research Fellow, Ms Julie Novak said.

'The Henry Review recommends that states remove their own inefficient tax streams, such as stamp duties, insurance taxes and fire services levies, and add new broadbased taxes in their place.'

'However the suggestion that states engage in their own tax base broadening initiatives, in the likely face of widespread electoral opposition, and is unlikely to occur.'

'In reality, the states will likely be stuck with their existing suite of narrowly based taxes with premiers and chief ministers continuing to go cap in hand for more Canberra funding.'

'Intriguingly, Dr Henry left unanswered the question whether state governments had the constitutional power to levy his new suggested new GST - called a cash flow tax.'

'The proposal for a state income tax system, encouraging the states to become more accountable to the Australian people, is a glaring omission from the tax report.'

'Decentralising tax powers away from Canberra and empowering the states would have improved accountability and reinvigorated competitive federalism.'

'Our federal system is at the core of our constitutional government, however the proposed commonwealth tax grab will only further weaken the Australian federal system,' Ms Novak said.

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