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Victoria 2010-11 state budget a missed opportunity for tax reform

The eleventh Victorian state budget handed down by the Bracks-Brumby governments is a lost opportunity to deliver genuine tax reductions to lock in future economic prosperity, according to free market think tank the Institute of Public Affairs.

Despite welcome relief on payroll taxes, WorkCover premiums and the land tax treatment of aged care facilities, the fact that tax and other revenues continue to rise illustrates that more should have been done on the tax reform front.

'Despite the rhetoric from Premier John Brumby and Treasurer John Lenders about the global financial crisis ruining the state revenue outlook, the budget details show a significant increase in money flowing into Spring Street's coffers,' said IPA Research Fellow Julie Novak.

'Taxes are expected to rise by almost \$800 million this fiscal year, while total revenue from all sources is projected to leap by over \$2 billion to a staggering \$45.8 billion.

'This extra money from the pockets of hard-working Victorians will be used to fund a rash of pre-election giveaways designed to return the government to power come November.'

A tax benchmarking study released late last year by the Institute of Public Affairs shows that Victoria needs to urgently reduce its stamp duties, which are the highest of all the states.

'That nothing had been done in this budget to reduce inefficient stamp duties plainly shows that the government is more interested in bankrolling its election commitments.

'The Brumby government had an opportunity to undertake bold tax reform as recommended by the recent Henry review.

'Like the federal Rudd government in Canberra, Victoria turned away from the chance to schedule the removal of nuisance taxes from the state's fiscal landscape once and for all.

'It is during an election campaign that the incentives for government to spend well, protecting taxpayers' interests, are greatly subdued,' Ms Novak said.

'With public sector net debt projected to increase to a painfully high level, and with wage expenses for government workers at record levels, this 2010-11 state budget is a missed opportunity to grow the Victorian economy through smaller government.'

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