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SHARE INCOME TAX, DON'T INCREASE GST: IPA

Rather than increasing the GST, Australia's political leaders should agree at their summit tomorrow to implement 'The Hendy Plan' to share existing income tax revenues with the states, according to Brett Hogan, Director of Energy and Innovation Policy at free market think tank the Institute of Public Affairs.

Federal Member for Eden-Monaro Dr Peter Hendy wrote an article for the May 2015 edition of the *IPA Review* calling for the Federal Government to share income tax powers with the states without increasing total revenue.

"Australia does not have a revenue problem – we have a spending problem," says Mr Hogan.

"The Federal Government collects over 80 per cent of taxation revenue but the states are still expected to fund health, education, police and other core services. The result is a complicated system of tied grants, buck passing and a lack of accountability."

"Rather than governments dreaming about how they can get more money by debating whether to increase taxes on income, consumption, superannuation or property, governments should be asking how best to spend the tax revenue they already receive."

"The Federal Government should return a large proportion of income tax revenue to the States, and ensure that the States accept full responsibility for health, education and environmental policy."

"The states could alter their own income tax rates to encourage competition between jurisdictions, which is currently the approach in the United States."

"The first principle of tax reform in Australia should be to reduce the overall tax burden, so as to encourage people to save, invest and employ."

"Taking the first steps towards a Value Added Tax (GST) of above 20 per cent, as seen across Europe, is not where Australia should be headed."

Research last year by the IPA's Dr Mikayla Novak revealed that Australia is among the highest taxing countries in the world once compulsory superannuation and health insurance mandates are included.

Peter Hendy's article for the May 2015 IPA Review is available at

<https://ipa.org.au/publications/2361/federal-state-relations-reform-shouldn%27t-be-about-raising-tax-levels>

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