



Speech by

**Hon. D. HAMILL**

**MEMBER FOR IPSWICH**

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Hansard 25 August 1998

**MINISTERIAL STATEMENT**

**Goods and Services Tax**

**Hon. D. J. HAMILL** (Ipswich—ALP) (Treasurer) (9.47 a.m.), by leave: I raise a matter that should be of grave concern to all Queenslanders and that is the enormous risk posed to this State by the Federal coalition Government's proposed tax reform package. That is risk to the health of State finances, risk to the standard of living of Queenslanders, risk to industries such as tourism and housing, and risk to tens of thousands of small-business operators across the State.

Queensland Treasury has been analysing the impact of Prime Minister Howard's proposed package on Queensland and the introduction of a 10% goods and services tax, and the results do not paint a pretty picture. Treasury has concluded, and let me quote—

"There are a number of assumptions built into the Commonwealth's estimates which may not materialise, particularly its assumptions about increased revenues from higher economic growth in the transition period and savings to State Governments from the abolition of wholesale sales tax and the reduction in diesel fuel excise. If these fail to materialise the bottom-line impact on the State changes by \$140m, that is a loss of \$190m, in the first year and \$350m, that is a loss of \$260m, over the following two years."

Let me quote further from the Treasury analysis—

"Beyond the three-year guarantee period, the States are accepting all the risk if the GST revenue projections are flawed ... in particular the size of the base, the assumptions about the size of the black economy that will be brought into the tax net—\$18 billion per annum—and the estimated level of enhanced revenue flowing from improved compliance."

If the crystal ball used by Federal Treasurer Peter Costello is a little bit off the mark, guess who will end up carrying the can? It will not be Canberra.

Despite a backdrop where the chief economist for Deutsche Bank Asia Pacific has described the Asian economic crisis as "the greatest threat to the world economy since the 1930s" and when world financial markets are in turmoil, Mr Costello blithely predicts growth of 3.75% to underwrite his GST forecasts. Even if some of Canberra's assumptions are right, they come with no guarantees—no guarantees to individual States regarding their revenue streams, no guarantee on the distribution of the GST pool, no guarantees that at some stage in the future income taxes will not rise and no guarantee about the future of existing special purpose payments to the States.

Furthermore, this package erodes the autonomy of the States, in particular Queensland, and worsens vertical fiscal imbalance. It is not so much a case of more power to Canberra but all power to Canberra. Should the Commonwealth, and it is the Commonwealth which administers this scheme not the States, decide to make a particular activity GST free, all of the cost to revenue associated with that policy change would lie with the States. It is the old "heads they win, tails we lose".

Mr Howard and Mr Costello want Queenslanders to trust them. The last time Queensland trusted Mr Howard and Mr Costello on tax, with the blind acquiescence of the former Borbidge Government, it was on fuel subsidies. That agreement, which was supposed to neither advantage nor disadvantage Queensland, is now costing us \$60m a year. Queensland never had a fuel tax, but at least under the section 90 safety net the revenue we chose not to raise by way of such a tax was largely returned to Queensland. However, the same recognition is not being accorded Queensland with

respect to financial institutions duty—another tax which has never been applied in this State. This represents an opportunity cost to the State of \$250m—that is a quarter of a billion dollars—by agreeing to not introduce financial transaction taxes.

There is a grave risk that Queensland will be penalised for its low tax status. In effect, Queensland taxpayers will be paying the same 10% GST as will taxpayers in the rest of Australia. We will pay GST that will be used to abolish bed taxes in New South Wales and financial institutions duty in Victoria. In other words, we will be subsidising the removal of taxes that Queensland has never levied. Mr Howard and Mr Costello are proposing—with the complicity of their Queensland counterparts sitting opposite—to strip Queensland of its competitive advantage on the matter of State taxation.

This Government is about jobs and a better standard of living for all Queenslanders, but this proposed GST represents an assault on Queensland jobs. According to the Treasury analysis, Queensland's share of total employment may fall because of the dominance in this State of service-based industries.

**Opposition members** interjected.

**Mr HAMILL:** Members opposite do not want to hear about the impact on tourism, but they will have to hear something this morning. The tourism industry, Queensland's second-largest industry, is under threat here. Mr Howard and the coalition support a scheme which would make holidaying in Bali more attractive than holidaying in Cairns or in the Whitsundays. Let us not forget that a GST will not apply to overseas airfares purchased by Australians, but it will apply to domestic airfares. This can only increase the cost of domestic holidays relative to overseas holidays. That is just one industry.

What about the impact on prices and the demand for new homes? What about the small business operators? The number of businesses brought into the GST net would be at least ten times the number which currently pay wholesale sales tax. For these thousands of small businesses I ask: what about the documentation—the collection, the calculation, the preparation of returns? The cost of compliance for small businesspeople who do not have the economies of scale of BHP's accounting division will be huge.

**Dr Watson:** Who collects the wholesale sales tax now?

**Mr HAMILL:** This tax package is regressive, this tax package is anti-jobs, and despite what the member for Moggill might say, this tax package is anti-Queensland.

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