Speech by

GORDON NUTTALL

MEMBER FOR SANDGATE

Hansard 25 May 1999

GOODS AND SERVICES TAX

Mr NUTTALL (Sandgate—ALP) (11.40 a.m.): I rise to speak about the goods and services tax and its effect on families in this State. Honourable members would be well aware of the discussions currently going on in Canberra in relation to the package put forward by the Liberal Government and would be well aware of the dramas that are unfolding.

People need to be made aware of how fierce the effects of a goods and services tax will be. During the last week of sittings of this Parliament in a ministerial statement the Treasurer made it quite clear that this Government opposes a goods and services tax. Also, there was a clear statement in the agreement with the Federal Government at the last Premiers Conference that this State in particular opposes the introduction of a goods and services tax.

Of the 25 OECD countries, only two do not have a goods and services tax. That does not mean to say we should necessarily introduce such a tax. In most countries this type of tax is known as a VAT, a value added tax, but for the purpose of this debate I will continue to use the term "goods and services tax".

Some 22 years ago, in 1967, the usual type of general consumption tax within the 25 OECD countries was a single-stage tax at either the wholesale or the retail stage. The single tax basically consisted of a tax being levied at one stage of the production and the distribution chain and no further tax being levied. In some countries there was what is known as a cascade tax. This involved levying the tax whenever a good was sold, regardless of the purchase. Nine countries had such a cascade tax in 1967. By 1973, 13 OECD countries had a GST and since 1986 another 10 countries have introduced a goods and services tax. One might say that there is a pressure from OECD countries for us to introduce a goods and services tax.

Twenty-three of the 25 OECD countries have a GST. The other country that does not have a GST is the United States. The United States has what is called a retail sales tax. Many would say that, really, there is no fundamental economic difference between a retail sales tax and a goods and services tax, other than where in the chain the tax is collected.

Australia has strong economic growth, low interest rates, a reducing unemployment rate and a Budget surplus. If we have all those things going for us and things are going well, why do we need to introduce a goods and services tax when it has been shown quite clearly that, at the end of the day, it will be a large burden on middle and low income earners in this nation? What is the advantage of introducing a goods and services tax? That question, in my view, still requires an answer.

The disappointing aspect of the goods and services tax sought to be introduced by the current Government is that it is a fairly sweeping tax—across all areas. There are very few exemptions. Even at this stage in the negotiations with the Democrats, the Government is reluctant to grant any type of exemption to a GST. I will come to some of the exemptions in some of the other OECD countries shortly.

One of the things that has not been stressed in the debate is that a goods and services tax in other OECD countries is not necessarily at the one flat rate, as is being proposed in Australia. In actual fact, in most countries with a goods and services tax there are levels of GST. Of the 23 countries that have a GST, only four have one general rate. Eight countries have two rates, six countries have three rates and five countries have four or more GST rates. Once a GST is implemented, that type of split rate can be introduced by the Government. We may have a GST of 10% on some goods and services, but on other goods or services there may be a tax of 12.5% or 15%—whatever the Government of the day chooses.

The countries that have most recently introduced a GST—that is, Canada, Iceland, Japan, New Zealand and Switzerland—have chosen to have either one or, at most, two VAT rates. Whether Australia would have a split rate of GST has never come up in the debate. The other matter of significance is that, when the GST was first introduced in those countries, the average rate was just over 12.5%. Now the rate is nearly 17%. Eighteen of the 23 countries with a GST have increased the tax rate since its introduction. From those statistics we can say that there is a strong likelihood that, once a GST is introduced, the rate will be increased.

As I indicated earlier, 17 OECD countries have a split rate. If we have a GST, we can just about guarantee that at some stage there will be an increase in the rate and we can just about bet that there will be splits in the GST so that some goods and services will be levied at a higher rate.

Fundamental areas such as health, education, food and clothing—the four fundamentals for every family—should be exempt from any GST proposed to be introduced in this country. Indeed, there are exemptions in a number of those areas in a wide range of OECD countries. I do not propose to go through which country has what exemptions, but a number of countries have what they call standard exemptions. They are things such as postal services, medical care, dental care, education, charitable work, non-commercial activities of non-profit making organisations, cultural services, insurance and reinsurance, letting of immovable property, financial service, lotteries and gambling, and the supply of land and buildings. We know that in the GST that is being proposed in this country a lot of those things are not exempt. Indeed, we are struggling just to get food exempt. In my view, it is quite clear that, if the Democrats are going to hold the line and if they are going to insist on the exemption of food, then they should also be ensuring that there is full exemption for education, health and, indeed, clothing, because I do not believe that the package that is being proposed by the Federal Government will in any way remain in the long term and that the average citizen, particularly in this State, will suffer badly from a GST.

Time expired.