



Speech by

Hon. D. HAMILL

MEMBER FOR IPSWICH

Hansard 1 June 2000

GST AND RELATED MATTERS BILL

Hon. D. J. HAMILL (Ipswich—ALP) (Treasurer) (12.03 p.m.): I move—

"That the Bill be now read a second time."

The purpose of this Bill is to implement the State's obligations under the changes made to Commonwealth/State relations necessitated by the Federal Government's introduction of its new tax, the goods and services tax. Today provides me with an onerous task. This Bill provides the mechanisms necessary for Queensland to participate in the fiscal arrangements of the federation. The introduction of the goods and services tax—now just one month away—will forever change not only the Australian economy but Australian society. After all, what kind of nation collects a tax on books?

The introduction of this Bill provides me with no joy. I take some solace from the actions of the Beattie Government in protecting the interests of Queensland in dealing with the introduction of the new tax. Essentially we made the most out of a bad—indeed, dire—situation. The Beattie Labor Government took on the Howard Government and it took on the Kennett and Carr Governments to fight against proposals for funding arrangements that would have penalised Queensland for its low-tax status and record of sound financial management. Despite the wishes of those opposite, we took them on.

The pro-GST Leader of the Opposition—who makes no bones about his support for the new tax; "Simply," he has said, "for States it is good"—toadied to his coalition partners in Canberra and refused support for our stance. The shadow Treasurer—perhaps thinking he was still a Liberal Federal member of Parliament—toed the line of his ex-colleagues and stood by ready to watch millions of dollars denied to Queensland. We took on all comers and refused to watch Queenslanders be penalised. We took them on and secured millions of dollars in additional funding, fighting to the last to ensure Queenslanders were not penalised because of our low-tax status.

We secured an additional \$350m above and beyond the Commonwealth's original offer at the May 1999 Premiers Conference. This money, while not fully recognising Queensland's relative disadvantage as a low-tax State in the implementation of the GST, ensured Queensland was not left in the parlous position endorsed by every Queensland coalition member of Parliament, State and Federal. That isn't quite fair. But then fairness is a concept not well understood in this House when you consider that those opposite regard the new tax arrangements, centred on the goods and services tax, as fair. After all, you can't make a silk purse out of a sow's ear.

But it isn't fair to say every Queensland coalition member of Parliament, State and Federal, squibbed on Queenslanders and refused to stand up to the other States and the Commonwealth Government, because there is one exception. The honourable member for Fairfax, Alex Somlyay, stands alone and stands proud. He stood up for Queensland and endorsed the position of the Queensland Government as it stridently defended the interests of Queenslanders.

The honourable member for Fairfax obviously has a firmer grasp of concepts such as fairness and decency, loyalty and valour than your average GST apologist in the Liberal and National Parties. In fact, I feel for the honourable member, for he is obviously a fish out of water. An ability to understand concepts of basic decency and fairness and loyalty are not of benefit in the coalition, proven by his unceremonious dumping from the Ministry by the Prime Minister after the last election. The Prime

Minister obviously uncovered the member's abilities, so well hidden during his time on the back bench, and promptly executed the member's ministerial career at the first opportunity. Let me again thank the honourable member for Fairfax for his support of the Beattie Government in this regard.

This Bill implements last year's Intergovernmental Agreement which has fundamentally redrawn the fiscal architecture of this nation. The Intergovernmental Agreement is essentially a financial agreement which stops several sources of Commonwealth funding to the States and purports to compensate the States with the revenue from the GST. The Intergovernmental Agreement formalised a number of significant changes to Commonwealth/State financial arrangements, which in turn requires the States and Territories to implement amendments in their tax arrangements. This Bill effects those changes.

In overview, the changes in Commonwealth/State financial arrangements include:

the payment of financial assistance grants by the Commonwealth to States and Territories will cease on 1 July 2000;

the Commonwealth will cease to apply the wholesale sales tax from 1 July 2000;

GST revenue raised will be provided to the States and Territories—or, more correctly, the revenue will flow to the States and Territories according to the Commonwealth Grants Commission's formula from 2002-03—but don't hold your breath;

the temporary safety net arrangements for the taxation by the States of liquor, tobacco and, where applicable, petroleum, which were established by the Commonwealth on 6 August 1997, will cease on 1 July 2000;

the Commonwealth will retain the \$177m of revenue to support off-road diesel use, as the Commonwealth will be providing a reduction in its petroleum excise and customs duty in the case of off-road diesel from 1 July 2000;

for Queensland, this will mean only \$330m to be passed on to Queensland motorists to offset the high cost of fuel;

the States and Territories will cease to apply financial institutions duty and stamp duties on quoted marketable securities from 1 July 2001—or pardon me, financial institutions duty—that's a tax we never had, and we will now subsidise the other States to remove this tax—their tax, not ours;

the States and Territories will adjust their gambling tax arrangements to take account of the impact of the GST on gambling operators;

the Commonwealth will legislate to require the States to withhold from any local government which does not make voluntary GST payments a sum equivalent to the unpaid GST; and

the GST will be applied to Government fees and charges which are not declared GST-free by determination by the Commonwealth Treasurer.

We will meet our obligations under the Intergovernmental Agreement. However, as I have pointed out previously to the House, the GST is an inherently unfair tax which will see the tax liability of all Queenslanders increase. It will impose a tax where no tax has been before. It will be a fundamental change that will impact every Queenslanders every day. The deal done by the Liberal Party and National Party with the Democrats will, in just 30 days' time, cast a pall across the lives of all of us. No-one—not one person—will escape the GST. Far from being "for all of us", as Opposition Leader Howard promised the nation, this tax is clearly "against all of us". And it will be against Queenslanders.

Queensland, being Australia's low-tax State, will see per capita taxation increase, while the tax liability of other, more highly taxed States will decrease as bed taxes and financial institutions duty and other taxes—taxes we do not have in Queensland—are removed. There will be no revenue bonanza for the Queensland Government. Based on Commonwealth Treasury numbers, not one extra cent will come into Queensland for two years. It will not be until 2002-2003 that Queensland will see any financial benefit from these taxation reforms, despite paying more tax in the meantime.

The arrangements in place to facilitate the implementation of the new Commonwealth tax regime provide the States with the revenue derived from the GST. But the big lie in all of this is the suggestion that Queensland should be thankful for the GST because it will deliver the State its own growth revenue source. In fact, under the new Federal fiscal architecture Queensland's revenue reliance on the

Federal Government will actually increase. The Queensland Government has no unilateral right to change the tax in any way—its rate, base or other design features. So much for the Leader of the Opposition's assertion that the GST will enhance the Federation. His statement that the GST "will save the States" could not be more offensive. Make no mistake, the GST is not a saviour—it is, in form and in substance, a regressive and backward step for not only Queensland but the nation as a whole. Rather than alleviating the vertical fiscal imbalance, it exacerbates it.

There are many claims about the GST. It is claimed that it will provide a simpler tax system. But with each week that goes by, these claims seem more illusory than real. In the 11 months since the original legislation was enacted, close to 600 amendments have been made in six separate amendment pieces of legislation before the Federal Parliament. What is more, at last count 12,500 private rulings have been made to prop up the new tax system even before it begins. A simpler tax system—I doubt it!

The GST will negatively impact on many Queenslanders and the Queensland economy. It will put pressure on prices as workers seek to preserve their real wage position. There is a real danger of a wages/price spiral. This tax will increase the tax burden on the service sector, the sector that is the engine of jobs growth in a modern economy. It will savage tourism, financial services and the emerging knowledge-based industries, strangling our ability to provide new jobs and jobs for the future.

It will result in increased costs in the provision of public housing. As the GST causes increased housing costs, low-income households in rental accommodation will seek relief, placing increased pressure on public housing waiting lists to the detriment of those members of the community who will be most burdened by this new tax system.

This new tax will transform every businesses and community organisation into a GST collection agent. Is our society better off diverting these people's efforts into becoming tax collectors rather than providing jobs and social services to the community? I think not.

This Bill implements undertakings in the Intergovernmental Agreement. It contains amendments to legislation which are necessary to protect the State's revenue position and to ensure there is no leakage of funds from the State. It also puts in place for the State an effective legislative framework post GST.

I now turn to the particulars of the Bill. Part 1 establishes the purposes and commencement dates pertaining to this Bill. Part 2 of the Bill serves as a record of Queensland's intention to comply with and give effect to the Intergovernmental Agreement, which is attached as a Schedule to the Bill.

While the Government will comply with the Intergovernmental Agreement, it will not be without cost. The Federal Government requires a "clawback" of so-called embedded tax savings from State entities as a result of the abolition of wholesale sales tax. It may be fine in theory but is much more difficult in practice.

The Beattie Government has carefully assessed the embedded tax savings that the Commonwealth Government has imposed for the 2000-01 year and believes that they will be very difficult to attain while maintaining key Government services. If agencies do not fully realise the Commonwealth's savings target, any shortfall will impact on departmental budgets and ultimately will affect the capacity of the Government to provide services to the people of Queensland.

Further, this "clawback" of embedded wholesale tax savings also means the State is unable to pass on any savings from the abolition of wholesale sales tax to its customers. In simple terms, as the Commonwealth has already taken the savings, there are no savings left to pass on. Consequently, most State Government fees and charges will increase by a full 10% during the GST's transitional period.

Part 3 of the Bill establishes the capacity for State and local governments, including Aboriginal and Island councils, to pay voluntary GST equivalents. This will provide State and local government with the confidence to apply the GST to all their transactions and will minimise the costs of complying with the GST.

Part 4 of the Bill provides the necessary changes to the fuel subsidy scheme which results from the cessation of safety net payments by the Commonwealth as part of national tax reform. The Queensland fuel subsidy scheme was designed to ensure that the Commonwealth fuel excise surcharge that was imposed under safety net arrangements in 1997 was not passed on to motorists. In theory this was to be achieved by requiring anyone selling fuel to a licensed consumer, being either an off-road diesel consumer, a retailer or a bulk end user, to sell at the subsidised price. It would appear that the reality is falling short of expectation.

Nevertheless, as part of national tax reform arrangements, the Commonwealth will assume responsibility for the payment of excise rebates to those using diesel for off-road purposes. As a result, the Fuel Subsidy Act 1997 is therefore to be amended to cease payment of fuel subsidies to off-road diesel consumers from 1 July 2000.

In addition, the Commonwealth excise surcharge will cease from 1 July 2000. As a result, the Fuel Subsidy Act 1997 is to be amended to modify the basis on which fuel subsidies are paid to retailers and bulk end users. Amendments are also necessary to ensure the proper operation of the subsidy arrangements. As the prohibition on a fuel seller recovering the cost of the excise surcharge will no longer be relevant, a person selling fuel to a licensed retailer or bulk end user will instead be required

to reduce the sale price payable by the licensee by the full amount of the subsidy. The seller may then make a claim for the subsidy from the Office of State Revenue.

Fuel sellers will not be disadvantaged by these arrangements as they may continue to take into account any relevant costs when setting the fuel selling price. To ensure purchasers' interests are also protected, any fuel seller who has received the benefit of a subsidy when buying fuel must pass on that full benefit when selling to another licensee or a retail consumer. Records must be kept to show the price at which fuel is sold and the basis on which the selling price is determined.

Transitional arrangements will ensure that obligations, which would have arisen but for the amendment of the Fuel Subsidy Act 1997, continue. For instance, repayment obligations will continue where a person inappropriately received the benefit of a subsidy before 1 July 2000. Notwithstanding these provisions, I want to make it clear to all members of this House and to the community in general that we are committed to delivering every cent we receive from the Commonwealth in respect of fuel to the Queensland motorist. Yes, there are real concerns that Queensland motorists are being short-changed and we reserve the right to take whatever action is necessary to deliver the full benefit to the Queensland motorist.

Part 5 of the Bill contains amendments to a number of State Acts to effect the introduction of the GST, as well as implementing other requirements of the Intergovernmental Agreement. The details of these changes are contained within Schedule 3. The schedule also contains amendments to the Stamp Act 1894, including the removal of the stamp duty on transfers of quoted marketable securities from 1 July 2001. The Australian stock exchanges to be recognised for such transactions will be prescribed by regulation following discussions with other States and Territories. No other Queensland taxes are affected.

Schedule 3 also includes amendments to exempt the GST component of taxable wages from payroll tax. This will ensure that payroll tax is applied consistently, which is good for business and good for employment. To do otherwise would affect employment and particularly Queensland employment agents, given that other States have chosen to exclude the GST component of taxable wages from payroll tax. As all honourable members would know, stamp duty applies to registration, or transfers of registration, of motor vehicles. For new vehicles, duty applies to the list price including sales tax—in other words, a tax on a tax. Where the purchaser is exempt from sales tax, the sales tax component is excluded in calculating duty. With the abolition of sales tax from 1 July 2000, the Stamp Act 1894 requires amendment to remove references to sales tax.

As the interaction of wholesale sales tax and stamp duty has been problematic, so is the area of the interaction of GST and stamp duty on hiring duties. The problem arises because the Commonwealth intends to include stamp duty in calculating GST so that there would be a cascading of GST and stamp duty. To overcome this difficulty, the Government will amend the Stamp Act 1894 to exempt from duty the GST component of hiring charges. Most other States and Territories will provide this exemption.

The calculation of stamp duty where there is a GST component also requires clarification. Because most stamp duties are based on the consideration for a transaction, movements in the consideration affect the duty payable. GST is one of many factors influencing price. Suppliers will seek to recover their GST liability through price adjustments which pass on to the consumer the GST cost as well as other costs. Stamp duty therefore applies to the GST-inclusive price because of the way in which GST has been designed by the Commonwealth, rather than because of any action by the Queensland Government. This approach is also consistent with other States and Territories.

The Beattie Government is committed to maintaining Queensland's status as a low-tax State. By adopting the above course of action, the State Government has not changed the basis for stamp duty. The Queensland Government is also required by the intergovernmental agreement to adjust its gambling tax arrangements to take into account the impact of the GST on gambling operators. In the case of bookmakers, this Bill provides for the abolition of the bookmakers' turnover tax to take account of the GST and to remove administrative burdens on bookmakers. These amendments are included within schedule 3 of the Bill.

On the issue of bookmakers' turnover tax, I need to acknowledge the role of my colleague the Minister for Tourism and Racing in respect of the proposed Racing and Betting Amendment Bill 2000 that will implement the required consequential and transitional provisions arising from the abolition of the bookmakers' turnover tax.

This Bill provides for the measures that must be taken by the Government as a consequence of the introduction of the Federal Government's new goods and services tax. I wish to make it clear to all honourable members that this Government does not support this new impost. However, I present the Bill in fulfilment of our obligations.
