

TITLE: Taxing issues for voters

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PUBLICATION: The Canberra Times

PUBLICATION DATE: 29/09/12

LINK: <http://www.canberratimes.com.au/opinion/taxing-issues-for-voters-20120928-26qlm.html>

Reform-shy Canberra Liberals need to explain how they will collect enough revenue to pay for essential services.

Back in the "olden" days, before broadband and Twitter, mobile phones weren't free. In fact, people had to pay for them. With money. What were people thinking? Now, you can pick up a mobile phone for free, but it's a pity you have to pay so much more for your phone calls to get one.

The Canberra Liberals are hoping to win the upcoming election on a promise of the political equivalent of free phones. If you vote Liberal, the ads blare, your rates will be lower. The only downside is that you will have to pay higher insurance tax, stamp duty and higher payroll taxes.

One of the few things that economists can agree on is that there are no free lunches. If you want to live in a community with very low rates of tax then you will have to live in a community that doesn't spend much on health, education or transport. Alternatively, if you want to have more of those services, then someone is going to have to pay for them.

One of the other things that most economists agree on is that imposing a small tax on the value of an asset (like rates on land) makes more sense than imposing a larger tax on the transfer of an asset (like stamp duty on buying a house).

There are many reasons for this preference, but one of the main ones is that by taxing the transfer of an asset you discourage people from selling it even when it no longer suits their needs.

In order to deliver essential services all governments, and potential governments, need to address two simple questions, namely, how much tax do they want to collect and how do they propose to collect it? The clear message emanating from the Canberra Liberals' advertisements about rates tripling under Labor is that rates will be lower under a Liberal government than under a re-elected Labor government.

But what is not clear is whether they plan to collect less tax overall. The ads are strangely silent on this issue but the simple fact is that if they collect less revenue they are going to spend a lot less money on health, education and transport.

The health system needs a big investment, as does the public transport system, and the irony is that while the Canberra Liberals are aiming their scare campaign at older voters who already own their homes the fact is it is these older voters that will benefit most from any expansion in services. Less revenue means fewer hospital beds, less reliable public transport and fewer police on the streets.

The second issue that the Liberal's advertisements ignore is why they are so committed to keeping stamp duty, a tax that places a big hurdle in front of first-home buyers and that the Liberal treasurer in NSW describes as one of their "most inefficient" taxes.

It is the responsibility of any Liberal government to collect the revenue it needs as fairly and efficiently as possible. Almost no one believes that the current system of stamp duty on home sales is efficient or equitable.

Similarly, the government is proposing to increase the threshold at which payroll tax becomes payable, a change that will deliver significant benefits for small business. In opposing the government's reform to the tax mix the Canberra Liberals are, by definition, opposing this reduction in business tax as well.

The role of election campaigns is to inform voters about the priorities of the competing candidates and their ability to deliver on those priorities. Unfortunately for citizens, trends in political advertising and trends in media coverage are both working against citizens absorbing the information they need.

As citizens have learned to pay less attention to political advertisements, political parties have learned to focus more tightly on banal claims and criticisms.

The current crop of campaign advertisements could be summarised as "Labor will triple your rates" and "the Liberals are lying about Labor wanting to triple your rates". That should help voters get to the bottom of things.

Which brings me to the role of the media. Should *The Canberra Times*, local television and local radio stations provide "balance" by giving both sides equal time to play out this most expensive form of "he said, she said"?

Or should journalists and editors put time and effort into understanding the claims and counterclaims and then tell their audience what weight, if any, should be attached to those claims?

Let's be clear, we are not talking about unresolvable ethical dilemmas such as whether voluntary euthanasia should be legal or not, we are simply talking about whether a simple mathematical claim about rates tripling is either true or false. Should newspaper readers really need a calculator to draw a conclusion?

The Liberals claim that rates will triple under Labor, but they neglect to mention that this increase will occur over 20 years. They also neglect to mention that a range of other taxes will be reduced over the same period. Finally, the Liberals make repeated references to a table in the Quinlan tax review that they know to be irrelevant to the cost of the government's proposal.

The Canberra Liberals claim that they are ready to govern. Yet their main appeal to voters is based on a promise to not reform a tax system that is clearly in need of reform. In promising to do nothing about rates and stamp duty they are simultaneously promising to not cut a range of other taxes.

It is not clear whether voters will be persuaded by the taxation equivalent of a free mobile phone, but it is clear that if the media wants to be valued by its audience it is going to need to provide something more valuable than a platform on which salespeople can spruik their wares.

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