

National Liquor News June 2014 - Budget opens way for sensible tax reform

The Coalition government's first Budget has attracted a lot of negative comment and quite heartfelt criticism. It marks a turning point in how Australian governments fund growing expenditures such as pensions, health and education. It certainly starts to redraw the boundaries between the Commonwealth and the States and Territories.

Australia faces a long period with lower economic growth and tougher budgets as governments, both Commonwealth and state, face up to the simple fact that easy to find growth in tax revenue just won't exist.

Australia simply won't be able to afford a badly designed tax system in future years to come. Overall, the mix of taxes will have to become harder to avoid, more efficient, and cheap to collect.

The Abbott Government has started a process of drawing up two White Papers – one on tax reform and the other on Federal / state relations. These issues need to be considered alongside each other because dealing with just one of those issues by itself is fruitless. At the heart of the political fighting over health and education funding is the disconnection between Commonwealth funding and state ownership and control. Hopefully the two White Paper dual-track approach will lead to an end to the duplication and waste, and a more sensible system of taxing and spending.

DSICA was very happy to see the Coalition government proceeding with the tax reform White Paper because a broad approach is by far the best way to change taxation. One-off small tax tweaks for political expediency – such as freezing fuel excise or the alcopops tax – are very damaging and hard to undo.

The tax reform White Paper should build on the Henry Tax Review, which pointed out very clearly the failings and needless complexity of Australia's current alcohol taxation system. DSICA was very supportive of the Henry Tax Review's approach, which was to start from first principles and then to consider what should be the reasons that alcohol is taxed and how taxes should be applied.

DSICA will be following the tax White Paper process very closely over the coming two years.