

## CONSUMPTION TAX UNDER FIRE FROM CHURCH BODY

The Federal Opposition came under further pressure over its consumption tax policy yesterday when an influential church welfare body attacked the proposal, questioning its impact on low-income families and the aged, ("Australasian", 11/6/91).

The Australian Catholic Social Welfare Commission – in a paper on the tax prepared by former senior federal public servant Dr Terry Dwyer – describes the arguments used by the Opposition to support its tax proposals as wrong, and "exaggerated as to their importance".

Dr Dwyer, a private consultant, is a former adviser on tax policy with the federal Treasury and the Department of Prime Minister and Cabinet. He was commissioned to compile the report at the request of the Australian Catholic Bishops Conference last year.

His report argues that adoption of a consumption tax would penalise low-income earners, families and the aged and would not be more efficient than existing indirect taxes, would not help the balance of payments and be unsuccessful in stopping tax avoidance.

It also claims a goods and services tax would be costly to collect, erode savings through high inflation and threaten health, welfare and education bodies.

The release of the report – which essentially supports many of the Government's arguments against a consumption tax – comes as the Government increases the pressure on the Opposition to release details of its tax proposals.

The Opposition immediately attacked the finding of the report yesterday, claiming its arguments were "inconsistent" and that the report was "hardly a fair and objective analysis of the issues involved in such a complex question as taxation reform".

Father Kilby said tax burdens would increase for families and the poor under the GST system.

"Low income earners and families have no choice but to spend more of their incomes on basic necessities of life," he said.

Non-profit organisations and charities would also be affected in this way because their capacity to purchase clothes and food would be affected, reducing the services they provided, he said.

Proposals for compensation, involving increased welfare spending, were inadequate and would particularly disadvantage self-employed low income earners, such as farmers.

"Compensation involves an expansion of means tested welfare spending (and) poverty, work disincentive traps could affect more of the population," the report said.

Another problem caused by the shift to consumption taxation would be the loss to savings through increased inflation, Father Kilby said.

This would particularly hit the aged and others who have to live off their accumulated savings," he said.

Ironically, any exemptions to reduce its effect on these groups of people would make the tax complex when it had been hailed by its proponents as a simpler system.

The report said the introduction of a GST to replace the sales tax would also mean family costs such as food and clothing would be more heavily taxed while other items were taxed at a lower rate.

Australian Taxpayers' Association director Eric Risstrom has labelled it "a tax for the greedy not the needy".

Mr Risstrom said some low-income families paid only 13.8 per cent income tax.

He said the 15 per cent consumption tax would push up the cost of living and create demand for wage increases which would push prices higher and affect overseas trade.

At the last taxation summit Mr Risstrom said up to 90 per cent of the population were against the consumption tax.

"It's simply not on. I hope I'm around long enough to stop it happening," he said.

### FOOD FOR THOUGHT

A tax on land values is the most just and equal of all taxes. It falls only upon those who receive from society a peculiar and valuable benefit and upon them in proportion to the benefit they receive.

(*Progress & Poverty* Bk.8 ch.3).