

MEDIA RELEASE

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WACOSS rejects shocking GST deal

The WA Council of Social Service has rejected the proposed tax reform emerging from the Treasurer's and Leaders meetings held over the past two days.

'This attempt at a deal has picked up the worst elements of all the packages and reform proposals on the table' said Irina Cattalini, WACOSS CEO today.

'The purpose of tax is to raise the revenue for social investment in the supports and services that enable a productive economy. The only way to reduce demand for services is to reduce inequality and increase access to jobs, yet the current proposals increase inequality and do nothing for growth.

'The best test for reform of taxes and spending is not whether it serves the interests of governments but whether it serves the community equitably.

'WA Premier Colin Barnett has suggested the community may accept increasing the GST to 12.5% and removing exemptions for food. This ought to be rejected outright. Modelling undertaken by ACOSS and NATSEM demonstrated that removing the exemption on food would have the worst impact for low-income households, of all the options for broadening the GST base.

'The "deal" on tax and federalism reform is far from done', Ms Cattalini said. 'Before a deal is taken any further, the public are entitled to know that the tax reform package will deliver the following:

- i. Guaranteed and sufficient revenue to ensure access to quality human services;
- ii. An overall package that does not shift the tax burden to lower income earners, and is not based on a regressive switch from income tax to consumption taxes including the GST; and
- iii. A plan to tackle continuing tax shelters Federally and enable States and Territories to shift towards more efficient tax bases.'

'The argument that growing costs in health, education and community services can either be curbed by greater competition or higher economic growth driven by income tax cuts is unrealistic.

'Public health care costs alone are rising over the long term in all wealthy countries and will rise further as the population ages. There are still serious gaps in essential services such as early childhood, affordable housing and dental and mental health, which hold back participation and productivity.

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Summary of Key Data from the ACOSS NATSEM GST Reports

GST As A Share Of Disposable Household Income*				
Scenario	Quintile 1 (Lowest 20% income)	Quintile 5 (Highest 20% income)	WACOSS Comment	Average
GST (current)	13.4%	5.9%	The lowest currently pay more than twice the amount of the highest as a proportion of income	7.4%
Food (fresh)	15.4%	6.4%	Removing the fresh food exemption would hit the lowest income households hardest.	8.3%
Water & Sewerage	13.7%	6.0%		7.5%
Health	14.9%	6.4%		8.2%
Education	14.1%	6.4%		8.0%

*ACOSS, Tax Talks 5: The effects of a higher GST on households (2015) p13