



Liberal Democratic Party Submission for the Tax White Paper

The Liberal Democrats believe that the best course for Australia is a low tax future. This can be achieved by limiting government action to:

- activities that only it can undertake and that provide net benefits to society, and
- targeted support for the least well off, as part of a transition to a culture of self-reliance, community and charity.

The Liberal Democrats also believe that government is better when it is local. Decentralisation allows government to cater to local preferences and allows competition between governments to drive better services. The current centralised system is perverse, discouraging State Governments from growing their economies and from delivering services more cost-effectively.

The Liberal Democrats support:

- reduced regulation so as to promote economic growth, which increases the tax base;
- budget surpluses while the Commonwealth Government's net worth is negative;
- the cessation of all Commonwealth Government transfers to other levels of government, including grants from the pool of GST revenues;
- reduced Commonwealth Government spending by limiting the Commonwealth Government to defence, immigration, basic public services (e.g. passport services, regulation of hazardous materials, air and sea transport regulation), and assistance to the least well off;
- reduced State Government spending by limiting State Governments to the provision of:
 - police, courts and prisons;
 - fire services;
 - animal control;
 - roads and other transport services;
 - libraries;
 - local amenities;
 - basic public services (e.g. consumer protection, building standards),
 - means-tested vouchers for health and schooling, and
 - welfare services.

This approach would provide limited government, responsible budget management, and a decentralised federation.

It would also allow substantial tax cuts and would ensure that no government in Australia would need to increase its overall tax take.

At the Commonwealth level, the Liberal Democrats support:

- lifting the tax free threshold to \$40,000, cutting personal tax rates to a flat 20%, and cutting the company tax rate to 20%; and
- abolishing tobacco, alcohol, fuel and import taxes, and not reintroducing carbon pricing or Commonwealth mineral resource rent taxation.

At the State level, the Liberal Democrats support:

- replacing insurance taxes, taxes on vehicles, stamp duties on property transfers and various other nuisance taxes with less inefficient taxes, while ensuring that the overall level of a state or territory's taxes as a proportion of Gross State Product declines over time.

Income tax

The Liberal Democrats believe that taxing income is perverse. Taxing income discourages Australians from working and saving, impedes investment, and imposes unnecessary compliance costs on individuals and businesses.

Tobacco and alcohol taxes

The Liberal Democrats oppose the nanny state. Taxes on tobacco and alcohol are discriminatory and bear no relation to any social costs from their use.

Fuel taxes

The Liberal Democrats support motorists. Taxes on fuel and cars far exceed the costs of road construction and maintenance. While road construction and maintenance could be funded by road tolls or road user charges, there is no case for hitting everyday motorists with both fuel taxes and road tolls.

Import tariffs

The Liberal Democrats believe in free trade. Import tariffs increase the cost of living for everyday Australians, increase the input costs for thousands of Australian businesses, and deliver a slow death for protected industries.

Carbon pricing

The Liberal Democrats believe that restricting greenhouse gas emissions in Australia in the absence of similar policies by the world's major emitters is harmful to the economy and of negligible environmental benefit.

Mineral resources rent taxation

The Liberal Democrats believe that the Commonwealth Government should not usurp State Government taxing rights over mineral resources.