1 May 2015

Dear Sir or Madam,

As we all know, the nation currently has a sizeable deficit and it will take quite some time to get the budget back into the black.

The line regularly repeated by the Prime Minister and the Treasurer following the release of the 2014 Budget was 'we must all share the load', and yet we have seen that significant measures in the budget were aimed at cutting services to society's most vulnerable, with middle to high income earners left almost unscathed.

The fact is that a tax system exists to enable governments to provide services to society, and levels of taxation must be sufficient to allow the government to efficiently provide all essential and important services, as well as providing some nonessential but highly beneficial community services, such as support for the Arts. In addition to meeting costs of such services, taxation must also be at a level where during strong economic times the government can invest for financial stability during future difficult economic times, and this is where we see our current taxation system failing.

In 2014 we saw a budget which was almost exclusively about budget repair through cost cutting, without any apparent acknowledgment that some budget repair may come through increases in revenue. This narrow-minded attitude to fiscal policy also seems to be concerningly highlighted in the Government's Forward to the *Re:Think* discussion paper, when it states that the objective of the tax review is to establish a system of taxes which are *'lower, simpler, fairer*'. For the Government to pre-empt this review by suggesting that the outcome must be about lower taxes is quite frankly irresponsible.

An examination of the Income Tax scales since the introduction of the GST in 2001 shows income tax cuts being delivered in nine of those years (2004, 2005, 2006, 2007, 2008, 2009, 2011, 2012, and 2013). The larger of these tax cuts were some of the earlier ones, with latter ones being more modest in size.

While in around 2004 it could be said we were due for some 'bracket creep' adjustment, the frequency and level to which income tax cuts have been introduced hardly seems to have been necessary, and has significantly undermined the ability of government to deal with the difficult economic times seen during the Global Financial Crisis and the more recent slump in the resources boom.

Many economic commentators now blame the income tax cuts for the current deficit, and indeed economist and former Liberal leader John Hewson states that the cuts during the Howard Government period alone (not including those in 2001 to offset the GST) currently cost the Government $30billion every year (see <http://www.thesaturdaypaper.com.au/news/politics/2014/12/20/how-john-howards-tax-cuts-undid-his-protege-tony-abbott/14189940001389#.VULc5RjXeK0>).

Income tax scales ensure that all individuals contribute commensurate to their financial position. If the Government truly wishes us to 'all share the load' when it comes to repairing the budget, the fairest way without doubt to is to return the income tax scales to a period prior to the excessive and unnecessary income tax cuts - say to levels in 2004 or 2005.

Returning the income tax scales to a more sustainable level will not only go a significant way to returning the budget to surplus, but it will also secure Australia's financial future for sustainably navigating through future periods of economic difficulty.

I have no doubt that there are many areas of taxation in need of some review and reform, but given the mistakes we have seen from previous governments in reducing income tax scales to unsustainable levels, I believe an increase to income tax is a critical and fair step which tax reform must take.

Contrary to the views expressed in the Government’s Forward to the *Re:Think* Discussion Paper, I **do not** support lower axes, and am **absolutely opposed** to the idea that important social services such as legal aid, aged care, pensions, mental health, and disability services must face cuts just so we can all pay lower taxes.

Yours faithfully,  
Gerard O’Neill.