Senator Tim Storer
Independent Senator for South Australia

MEDIA RELEASE

Personal Income Tax Plan

Given our substantial debt and deficit challenge, I do not believe it prudent to proceed with the full income tax plan proposed by the Government at this time.

The measures commencing in 2022 and 2024 lock-in over $120 billion in reductions in revenue out to 2028/29. By Treasury's own admission, estimates made further into the future become increasingly sensitive to the underlying projections and are subject to heightened uncertainty.

Geopolitical and economic uncertainties as noted by Treasury in Senate Estimates demand that the Government be prepared by focussing on debt and deficit reduction as well as maintaining the services voters expect. We are in a substantially weaker budgetary position now than we were in 2007 at the lead in to the GFC.

History also tells us that tax cuts, once legislated, are very difficult to wind back. Therefore, we cannot rely on an assumption that these cuts could be repealed or amended if unforeseen economic developments materialise.

Furthermore, there is no need to rush through the changes that commence in 2022 and 2024. They are well beyond the scope of the Forward Estimates and are two elections and two parliaments from now. We have plenty of time to assess whether the forecast economic conditions align with reality.

I am satisfied that the measures set to commence from 1 July 2018 are affordable and would be happy to pass those sections of the Bill. Given rising cost of living pressures and wage stagnation, the tax relief significantly targeting low and middle income earners is particularly warranted and should be locked in.

However, I am not prepared to pass measures commencing from 2022 and 2024 at this time. When Parliament resumes in two weeks, I will move amendments in the Senate to remove those elements from the Bill. It is the economically responsible thing to do.

I will also move amendments to lock in the low and middle income tax offset beyond 2021/22, rather than replace it with tax bracket adjustments and the marginal increase to the existing low income tax offset, as proposed by the Government.

I am still awaiting advice from the PBO on the precise budgetary impacts of these amendments, but my back of the envelope calculations suggest the amended package would cost around $46 billion in total out to 2028/29, resulting in budget savings of around $100 billion compared to the Government's proposal, and around $27 billion compared to the ALP's proposed amendments in the Lower House.

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These savings would help us to return to surplus sooner, pay down debt quicker, and free up money to spend on critical social and infrastructure programmes, including increasing the rate of NewStart.

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