

Who thinks adults don't fight over (tax) money?

Written by The Conversation

It's no secret that Peter Costello doesn't give a high mark to the Abbott government, and every now and then he uses his [column in News Corp](#) papers to call it out. The former treasurer understands how lethal his written bullets can be.

Costello on Tuesday waded into Treasurer Joe Hockey's tax "conversation" to say the government's discussion paper had talked about "lower, simpler, fairer" tax but had prompted a flood of demands for higher and more complicated taxes.

"'Lower, simpler, fairer' is looking like some kind of morbid joke," he wrote.

He also emphasised the burden of bracket creep – there had been no adjustment to the tax thresholds for five years.

"The government needs to restart the conversation about getting taxes down, not up," he said.

Costello is partly defending his own record: much of the current debate is critical of the generous superannuation concessions he put in place. But he also believes the Liberals are destroying their economic credentials.

Certainly it's clear that the government doesn't have much control over the tax "conversation".

Unsurprisingly, the former treasurer gets under the skin of the present one (who knows he'll forever suffer in the comparison). Joe Hockey responded from New York that people should "stop looking back to what was and focus on the challenges of today and the challenges of tomorrow. No matter who they are, we've got to look to the future rather than longing for yesterday."

And "I really wish I had the revenue coming into the budget that Peter Costello had", he said. "If

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I had the same revenue as he had then I'd be getting \$25 billion extra each year to be able to spend on things."

There is no doubt the iron ore price fall has created a major revenue problem for the federal government - and for the state of Western Australia, which is also facing a cut in its GST share.

But, when it comes to winning sympathy, to an extent it's a matter of what goes around comes around, in both Hockey's case and that of WA.

Hockey didn't cut the Labor any slack when it had to announce revenue revisions. And WA did very well out of the national tax pie in earlier times.

When Tony Abbott tells the states to be "adults" and sort out the stoush over WA's GST share, he is apparently forgetting the joke about not getting between a premier and a bucket of money.

The other states are showing no sign of giving in to the anger of WA, which is contesting the recommendation from the independent Grants Commission.

Although Abbott and Hockey want WA accommodated the Prime Minister, who will discuss the row with state and territory leaders at the Council of Australian Governments this week, is reluctant to wear the odium of the federal government imposing a position.

"The states and territories really should sort this out amongst themselves," he said on Tuesday. "It's money that belongs collectively to them and collectively they should make a decision and being the grown-up adult governments that they are, that's what I expect them to do."

If it is up to the states alone, WA can expect to be voted down.

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The other states argue that WA benefited for a long time under the Grants Commission's recommendations and should accept the outcome when circumstances change.

As NSW Liberal Treasurer Gladys Berejiklian said on Tuesday: "The process needs to be respected. You simply can't make exceptions which ultimately jeopardises the integrity of the process."

Her point is backed by economic commentator Tim Colebatch who, [writing for Inside Story](#), outlines the "good reasons for the apparent injustice" to WA.

"First, the rule Western Australia wants to change is the one that's given it more than \$7 billion over the past four years that would have gone to the other states if the GST money had been distributed in the way it now urges.

"Second, the system it wants to overthrow – in which the Commonwealth Grants Commission proposes how federal money should be split among the states, based on their relative needs – has subsidised Western Australia by tens of billions of dollars (in today's money) over the decades, and that money has come from the taxpayers of New South Wales and Victoria.

"Third, Western Australia's actions since 2011 suggest that once it saw that the system would begin working against its interests, it set about escalating the stakes to the point where the distribution of grants would seem manifestly unfair and the system would be scrapped."

In light of this, wouldn't other states be mugs to give in to WA?

Hockey's line that the situation can be used to put pressure on WA to make reforms in areas such as shopping hours and assets sales doesn't wash. Why should other states have to forfeit revenue to bribe WA to do what it should do anyway?

Abbott didn't want to be drawn on what would happen if there were no consensus. When asked,

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Hockey's office repeated what he said after the fractious meeting of treasurers last week. "The Treasurer is in consultation with the states and will make a determination after those consultations."

The GST is not the only money matter premiers will have on their minds at COAG. There is the ongoing row over federal cuts in future health and education funding, which NSW plans to push. These cuts were flagged in last year's budget.

Berejiklian says: "We have always said there are funding gaps in health and education over the medium to long term that we aren't even close to fully funding, and we will continue to make it very clear that we want our fair share."

NSW says that in health, at budget time last year its cumulative funding loss from the Commonwealth changes was estimated at around \$16 billion per annum by 2050-51 (in 2014-15 dollars).

Whatever way you look at it, Friday's COAG is likely to see a good deal of unco-operative federalism.

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