

View from The Hill: Those tax cuts should follow proper process, officials tell government

Written by Michelle Grattan, Professorial Fellow, University of Canberra

Once again, the public servants are trying to force the politicians to do things by the book. But the government would prefer to cut the inconvenient corner.

The heads of the Treasury and Finance departments on Wednesday warned the government that the first round of its tax cuts - due to be paid within weeks of the election – must be legislated before they can go out.

The edict is in the [Pre-election Economic and Fiscal Outlook](#) (PEFO), the official update prepared in the first stage of the election campaign.

PEFO is presented by Treasury secretary Phil Gaetjens and Finance secretary Rosemary Huxtable and doesn't have any political input. It's a rare dose of spin-less numbers in the campaign.

Morrison argues the Australian Taxation Office can act before the tax legislation passes. He said on Wednesday that “what happens traditionally with the Tax Office, is where there is a bipartisan commitment to matters, they can often go ahead and administer the tax arrangements on that basis”.

But in PEFO the officials said that while many of the budget's tax measures can be legislated later without affecting the estimates, “the immediate relief [...] requires the relevant legislation to be passed before the increase to the low and middle income tax offset (LMITO) can be provided for the 2018-19 financial year.

“If not legislated prior to 1 July 2019 the revenue cost of this measure would need to be reassessed,” PEFO says.

Officials have been clear about how they see things since immediately after the budget, when the Australian Taxation Office [told](#) The New Daily: “The ATO requires law in order to deliver the measure as announced, and, as such, it cannot be delivered administratively”.

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It isn't the first time this issue over the process of implementing tax cuts has arisen. Morrison would remember that well – he was treasurer when it happened in 2016.

That year saw a [prolonged face-off](#) between the Turnbull government and the ATO, as the government pressed for income tax cuts to be delivered ahead of parliament passing them.

It was the same story. The measure (for those earning \$80,000 to \$87,000) was in the May budget, to come in July 1. There was no time to legislate before the July 2 election.

Turnbull said the tax cuts would be delivered “administratively”. But the PEFO of that year said “the [Taxation] Commissioner has indicated that the [...] targeted personal income tax relief measure requires the relevant legislation to be passed before the change will be incorporated into the income tax withholding schedules”.

In the end, delivery was delayed, but it came before the legislation's passage, when the Tax Office was (sort of) persuaded the cuts had bipartisan support.

The first round of the 2019 tax relief does have bipartisan support in the broad, but there are a couple of twists. Labor proposes more relief for low income earners, and the government's tax plan is a long term package, with Labor rejecting the later stages.

It is more likely than not the 2019 tax cuts will end up delivered on time. “It's certainly our intention to legislate them,” Morrison said. Whichever side wins, parliament is expected to sit at the end of June to deal with them. The PEFO stand is just making sure of that.

Unsurprisingly, the PEFO validated the numbers in the budget brought down early this month, including the forecast \$7.1 billion surplus next financial year.

A minor adjustment was made in this year's forecast deficit, from \$4.2 billion to \$4.3 billion, because of the extension immediately after the budget of the energy payment to those on

Newstart and a number of other payments.

In what was in general a groundhog day in the campaign, Bill Shorten on Wednesday said he had used the wrong words when on Tuesday he claimed Labor would not increase tax on superannuation – overlooking the \$34 billion of proposed changes the opposition has announced.

His gaffe, leapt on by the government, received wide coverage, marring his first week in the campaign.

“I thought I was being asked, have we got any unannounced changes to superannuation,” Shorten said.

“But obviously we have changes which we outlined three years ago, and of course I should have picked the words better, no question. We have no proposals other than what we’ve already announced previously.”

He also argued that ALP policies closing down concessions and loopholes in superannuation “is not some massive increase in taxation”.

Meanwhile the treasurers of Victoria, Queensland, Western Australia, the ACT and the Northern Territory have written to Treasurer Josh Frydenberg asking him “to confirm that there will be no further funding cuts to hospitals, schools, infrastructure and other essential services.”

This follows analysis undertaken by the Grattan Institute arguing the government’s budget projections would need a cut to spending of about \$40 billion a year by 2029-30.

“As we are in the process of finalising our respective budgets, it is imperative that you are transparent about any planned cuts in payments to states and territories,” the Treasurers say.

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“States and territories should not be forced to fill funding gaps created by cuts by the Commonwealth Government across our respective hospitals, schools and transport networks.”

Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.

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