

Frydenberg declares tax package must be passed 'in its entirety'

Written by Michelle Grattan, Professorial Fellow, University of Canberra

The government's tax relief package is shaping up as the first test of incoming opposition leader Anthony Albanese, with Treasurer Josh Frydenberg declaring on Friday it must be supported "in its entirety" when put to the new parliament.

But Albanese has only guaranteed support for the first tranche. As for the later cuts for higher income earners, "we will consider that," he said on Friday.

But let me tell you, it is a triumph of hope over experience and reality that the government knows [...] what the economic circumstances are in 2025 or 2023, in the middle of the next decade.

Appearing with Albanese on the Nine Network, Trade Minister Simon Birmingham said:

Albo, it would be remarkable if your first act as leader of the opposition was [...] to oppose a long term package of tax relief - that would show a real tin ear for the Australian people".

In an interview with The Conversation, Frydenberg refused to be drawn on what the government would do if unable to get the whole bill through.

It would, however, be hard for it to avoid splitting the bill - to hold out would deny the immediate relief pledged in the April budget.

All or nothing

Nor could Frydenberg say when parliament will meet to consider the legislation, although the government has effectively conceded it will not be in time for the promised July 1 start of the additional tax offset promised in the budget. (A smaller offset from last year's budget will be paid from then.)

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But Albanese said the tax cuts could be passed in time for July 1, because it would only need a couple of hours of sitting. “We’ll do a deal. I can do that. One speaker a side, and Bob’s your uncle.”

Frydenberg said Reserve Bank Governor Philip Lowe had highlighted the positive impact the tax cuts would have on household incomes.

“Let’s too not forget that \$7.5 billion will flow to households in the coming financial year, as a result of these tax cuts,” Frydenberg said.

Tax cuts as good as rate cuts

“This benefit to households and the economy is equivalent to two 25 basis point interest rate cuts and is one reason why growth and household consumption is projected to pick up,” he said.

“The tax reforms we are putting to parliament are not just providing immediate relief, but leading to long term structural change. This will tackle bracket creep and reward aspiration.

“Earning more is nothing to be ashamed of and should be encouraged not punished. Rewarding aspiration is in the Coalition’s DNA and will be a fundamental driver of our policies in government.”

In his assessment of the economic outlook, Frydenberg had two messages.

He said in his discussions with some of Australia’s biggest employers, “I’ve been buoyed by their confidence and their desire to work with the government, to support continued economic growth and job creation”.

Headwinds worsening

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But the economy “faces significant headwinds. Trade tensions between the United States and China have increased, with the potential to negatively impact global growth.

“Were there to be another round of US tariff increases, the potential for which has been flagged publicly, the proportion of global trade covered by recent trade actions would double from 2% to 4%.”

Also, flood, drought and fires had taken a toll and the housing market slowdown was hitting dwelling investment and having an impact on consumption.

The challenges made the government’s agenda for growth, including tax relief, so important and time critical.

Asked whether the “headwinds” faced by the Australian economy were stronger than at budget time, when he also spoke of headwinds, Frydenberg said: “I think the tensions between China and the US have increased”.

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Frydenberg spoke with the US Treasury Secretary Steve Mnuchin this week and the two will meet in Japan at the G20 finance ministers meeting in a few weeks. Frydenberg stressed in the conversation the importance of free trade to Australia and its wish to see disputes resolved as amicably as possible.

Asked whether, if the economy deteriorated further, the government would be willing to live with a smaller surplus next financial year than the \$7.1 billion projected in the budget, Frydenberg said, “that’s the amount that we’re committed to”.

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He would not be drawn on the signal this week from Lowe that an interest rate cut was coming.

The Treasurer said the current unemployment rate of 5.2% reflected “strong labour market performance”.

While there are no plans for an overhaul of federal-state relations by the re-elected government, Frydenberg said he would work closely with the states on infrastructure and managing population.

Read more: [*Cutting interest rates is just the start. It's about to become much, much easier to borrow*](#)

He said he would respond fully to the Productivity Commission report on superannuation, although he had not set a date for this.

“The issues that were raised through the Productivity Commission report which we need to have a good look at are about the unintended multiple accounts and the under-performing funds,” he said.

“The royal commission [on banking] recommended having a single default [account], which we accepted and Labor accepted, so we’ll go ahead and do that”.

Read more: [*Grattan on Friday: Shocked Labor moves on – but to what policy destination?*](#)

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