

THE Daily Telegraph

SYDNEY, Friday, August 14, 1998

Weather: Fine, 20 degrees

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80 cents* F

THE NEW DEAL

Everything you need to know

◆ Families ◆ Prices ◆ Homes ◆ Pensions

15-PAGE NEWS SPECIAL

\$40 TAX CUT

How the money gets in your pocket

SINGLE PERSON							DUAL INCOME COUPLE*						
Annual income	Current tax liability	Value of tax cuts	Income tax cuts and increases in benefits	Change in disposable income	Cost of living adjustment from GST	Total benefit	Annual income	Current tax liability	Value of tax cuts	Income tax cuts and increases in benefits	Change in disposable income	Cost of living adjustment from GST	Total benefit
(\$/wk)	(\$/wk)	(\$/wk)	(\$/wk)	(\$/wk)	(\$/wk)	(\$/wk)	(\$/wk)	(\$/wk)	(\$/wk)	(\$/wk)	(\$/wk)	(\$/wk)	(\$/wk)
\$20,000	58.88	10.36	10.36	10.36	6.07	4.28	\$20,000	48.63	10.05	27.33	27.33	10.07	17.26
\$25,000	93.92	12.31	12.31	12.31	7.21	5.10	\$25,000	54.38	10.91	28.19	28.19	10.50	17.69
\$30,000	127.96	16.15	16.15	16.15	8.37	7.78	\$30,000	76.52	14.96	58.20	58.20	10.45	47.75
\$35,000	162.01	19.98	19.98	19.98	9.52	10.46	\$35,000	97.14	17.84	59.93	59.93	11.34	48.60
\$40,000	199.50	27.27	27.27	27.27	10.62	16.66	\$40,000	117.76	20.71	34.04	34.04	12.74	21.30
\$45,000	242.17	39.74	39.74	39.74	11.61	28.13	\$45,000	150.81	19.72	25.09	25.09	13.92	11.17
\$50,000	284.85	52.21	52.21	52.21	12.61	39.60	\$50,000	187.84	24.63	30.00	30.00	15.02	14.98
\$55,000	331.36	58.92	58.92	58.92	13.53	45.39	\$55,000	221.88	28.46	33.83	33.83	16.18	17.65
\$60,000	377.87	65.63	65.63	65.63	14.45	51.18	\$60,000	255.93	32.30	37.67	37.67	17.33	20.33
\$65,000	424.38	72.34	72.34	72.34	15.38	56.97	\$65,000	289.97	36.13	41.50	41.50	18.49	23.01
\$70,000	470.89	79.06	79.06	79.06	16.30	62.76	\$70,000	324.01	39.97	45.34	45.34	19.65	25.69
\$75,000	517.40	85.77	85.77	85.77	17.22	68.55	\$75,000	358.06	43.81	81.30	81.30	20.20	61.10

* Dual income couple (50%: 50% income split) with two children between 5 and 13 years

THESE are the tax rates that will be introduced in July, 2000 — giving families an average of \$40 a week extra, under a GST. All figures compiled by the Federal Treasury.

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AFTERNOON EDITION

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TAX: THE NEW DEAL

Inside your
Daily Telegraph



Shopping for 27 items
under a GST — Page 4

Income Tax		Income Tax		Income Tax	
Income	1998	1999	2000	2001	2002
0	0	0	0	0	0
10,000	1,000	1,000	1,000	1,000	1,000
20,000	2,000	2,000	2,000	2,000	2,000
30,000	3,000	3,000	3,000	3,000	3,000
40,000	4,000	4,000	4,000	4,000	4,000
50,000	5,000	5,000	5,000	5,000	5,000
60,000	6,000	6,000	6,000	6,000	6,000
70,000	7,000	7,000	7,000	7,000	7,000
80,000	8,000	8,000	8,000	8,000	8,000
90,000	9,000	9,000	9,000	9,000	9,000
100,000	10,000	10,000	10,000	10,000	10,000

How much do you earn?
Tax tables — Page 6

The property gamble:
Prices to rise — Page 9

From Hyundai to BMW:
New car deals — Page 9



How 8 typical families
will live with the GST
— Page 10-11

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His verdict — Page 14

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17 20 28
27 15 4

Powerball

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WEATHER

City 12-20, Liverpool 8-20, Richmond 6-20, Canberra 5-14, Newcastle 11-20, Wollongong 11-19 Forecast: Fine. Details P115

\$40 a week

The reform package at a glance

GST

A 10 per cent tax will apply from July 1, 2000. There will be exemptions for health, education, child care, local government rates, charities and religious institutions, water and sewerage.

PRICES

Some products will go up in price, some will go down.

Prices will rise an average 2.2 per cent. Those to go up include meat, bread, fruit and vegetables — now exempted from wholesale sales tax.

The price of a carton of full-strength beer will rise by 50c and spirits up by \$1.50 a bottle; cigarettes will cost 6c more on a \$7 packet.

The cost of clothing, footwear, electricity, gas, restaurant dining will also rise.

But products which now attract a wholesale sales tax above the 10 per cent will go down in price. These include soaps, detergents, medicinal products and new motor cars.

INCOME TAX

Almost 10 million taxpayers will receive tax cuts averaging \$40 a week.

Tax-free threshold up from \$5400 to \$6000. 4.7 million people will pay a marginal tax rate of 30 per cent or less. Cuts to all marginal income tax rates except the top rate, set at \$75,000.

Four out of five Australian taxpayers will pay less than 30 per cent in income tax.

FAMILIES

Single income families with three children (one under 5 years) will be \$770 a year better off.

Dual income families with three children and a combined income of \$70,000 — \$100,000 will be \$43 — \$68 better off per week.

Single income families earning in excess of \$100,000 a year will gain \$79.95 per week and sole parents with two children (one under 5 years) will receive an additional \$131.87.

BUSINESS

Company rate reduced from 36 per cent to 30 per cent, a saving of at least \$3 billion for business. Business costs to fall by 3 per cent, cost of private investment goods to fall by 7 per cent. Provisional tax abolished, replaced by new pay-as-you-go system. New streamlined tax payment system.

HOMES

Stamp duty abolished on mortgages. First time buyers get \$7000 lump sum payment from July 2000. House prices expected to rise 4.7 per cent and residential rents expected to jump by 2.3 per cent.

Construction and sale of new homes will be subject to GST.

PENSIONS

All pensions to rise by 4 per cent on the day the GST is introduced.

There will be a \$1000 savings bonus for pensioners and \$2000 savings bonus for self-funded retirees.

The aged tax rebate will be increased by \$250 for singles and \$175 each for couples. There will be a 2.5 per cent increase in the amount pensioners can receive before losing their benefits.

RETIRES

Self-funded retirees to get an income-tested lump sum bonus of up to \$3000 to help maintain the value of their savings.

Single retirees will receive an extra tax rebate of \$250 a year and couples an extra rebate of \$350 a year.

EDUCATION

Tuition fees for all schools and universities will remain GST-free.

But parents will pay more for uniforms, books, shoes and bus tickets. Private and public schools treated the same.

INVESTORS

Share investors will be spared the 0.15 per cent stamp duty on stocks.

HEALTH

Those with private health care will be able to claim a new 30 per cent tax rebate worth about \$600 for families with premium cover (\$2000 worth of insurance) and \$400 for those with basic cover.

The 1.5 per cent Medicare levy remains — as does the 1.0 per cent tax surcharge on singles earning more than \$50,000 and families earning more than \$100,000.

THE BUSH

Farmers will gain big benefits from the new tax system and will be able to claim a rebate for GST paid on virtually anything they use.

Dramatic cuts to fuel prices, diesel prices falling up to 43 cents and transport costs will fall, saving about \$2500 a year for the average farm.

THE OLYMPICS

Olympic tickets may be GST-free under special arrangements to soften the transition to a new tax system.

Exemptions could also be granted for construction projects associated with the Olympics, for which payment will be made after July 1, 2000.

TOURISM

Hotels, airfares and travel will all be subject to the tax. Increasing prices by 10 per cent, although the existing NSW Government bed tax will be removed.

Restaurant bills will increase, both the cost of the meal and a service tax to be added. Australians travelling overseas will not pay a GST on their travel costs.

CARS

The price of most cars will fall, the existing 22 per cent wholesale tax to be replaced by a 10 per cent GST.

Luxury cars worth over \$60,000 will attract a marginal 25 per cent tax on their retail price. The price of used cars sold privately would not change but those sold through dealership would attract tax on their retail margin.

WHAT THE OPINION-MAKERS SAID

“We believe it's fair and we believe it will deliver a better and a stronger and a happier Australian community.”

— Prime Minister John Howard

“This tax package is the most unfair thing I've seen handed down by any government in the history of this country.”

— Opposition Leader Kim Beazley

“This is a generational change; a rewriting of the whole of the taxation system... It is a new tax system for a new century.”

— Treasurer Peter Costello

“All that is required to increase the GST down the track is a couple of votes in (federal) Parliament.”

— NSW Treasurer Michael Egan

“I am sure all Australians will see the Howard package as a win for taxpayers.”

— NSW Opposition Leader Peter Collins

“I keep an open mind and will give a considered response early next week, having the next few days to study the package in depth.”

— One Nation Leader Pauline Hanson

“This is the tax package business has been looking for.”

— Australian Chamber of Commerce and Industries chief executive Mark Paterson

“The inclusion of food in the GST is a backward step, hitting disadvantaged families harder than those with reasonable incomes.”

— Mission Australia head Patrick McClure

“Now we compete equally with overseas and lift Australia's export sales. That

will create jobs in capital cities and regional areas.”

— NSW Farmers Association president John Cobb

“Compensation measures for new home buyers are hopelessly inadequate.”

— Housing Industry Association managing director Ron Sillenberg

“The family unit is the cornerstone of this nation and any initiative which assists families is a step in the right direction.”

— Salvation Army spokesman Major Ray Tunstall

in your hand

Families, elderly win with historic reforms

By MALCOLM FARR
Chief Political Reporter

TOP to bottom income tax cuts worth \$13 billion and a \$3 billion sweetener for families were unveiled yesterday to accompany the historic introduction of a GST.

Prime Minister John Howard said a typical family would be \$40 to \$50 a week better off after 2000, when the GST and related measures are in full operation. Key features include:

● The average single earner, who in two years will be on about \$45,000 a year, will save \$40 a week on income tax, but spend an extra \$12 on the GST, giving a net gain of \$28 a week.

● A single income family with two dependent children over five on \$45,000 a year would be \$33.50 a week better off after income tax cuts, increased family package benefits and a \$13 payment. The same family on \$35,000 would be \$52.50 ahead.

● A two-income, two-child family on \$45,000 a year would be \$15.50 a week better off after \$24 income tax savings, \$14 to the GST and extra benefits. If income was \$35,000 a year, savings would be \$48.60 a week.

● An age pension couple on \$30,000 a year would be \$53 a week better off. ● A self-funded retired couple on \$30,000 would be \$18 a week better off after income tax cuts and boosted benefits.

But first the Government must be returned at the next election, and then its tax rearrangements must pass the Senate.

Mr Howard made the announcements in what he called "a moment of great excitement" as he and Treasurer Peter Costello launched Australia's most ambitious restructuring of public finances.

The Government was visibly more confident of its election chances after releasing the package, and Mr Howard and Mr Costello today began road testing its measures around the country.

"This has been formulated because we believe it's good for the future of Australia."

"This is a genuine, far-reaching, visionary plan for the future of our country," Mr Howard said today.

He said it was up to the Australian people to vote on the tax package, but replied: "I don't know" when asked when the election would be.

The 10 per cent GST will replace 10 indirect taxes, including the \$15 billion a year wholesale sales tax. It will increase the price of cigarettes, alcohol, clothes, films, rent and food.

But there will be falls in such expenses as cars and car parts, electrical equipment, business costs, paper and medicines.

Some increases will be absorbed — for example, Telstra will use its savings in sales tax to cover a GST on domestic telephone calls, but the total cost of STD and IDD calls could rise from \$1 to \$1.50 a week for average households.



Read all about it... Prime Minister John Howard reads the early edition of today's Daily Telegraph before a radio interview

Picture: DAVID CROSLING

States must agree on rate

THE GST rate will be locked in at 10 per cent and cannot be changed without agreement by Federal Parliament, the States and territories.

The Federal Government will direct revenue from the GST to the States and territories which will need to give their permission if the GST is to be increased.

Any move to change the rate would need to be made via a unanimous request from the State premiers and territory

chief ministers, which would have to be endorsed by the federal government of the day.

The federal government would then need to introduce legislation into Parliament and have it passed by both Houses before there could be an increase to the GST.

The Government said the decision to lock in the rate was a response to community concerns that the GST could be raised without warning.

The GST will raise \$27 billion when it is introduced in 2000-01, with the limited exemptions being health, education, child care, council rates and charges, and charities.

The Daily Telegraph understands the Government is prepared to examine a case for exempting spending on construction and tickets for the Sydney 2000 Olympics.

Pensions will rise by 4 per cent to compensate for GST and inflation.

Self-funded retirees will get a lump sum of up to \$3000, depending on income, for the same reason.

All taxpayers will benefit from July

2000 with an increase in the tax-free threshold, which will rise from \$5400 to \$6000. The lowest tax rate of 20 per cent will fall to 17 per cent.

Middle-income earners on \$30,000 to \$50,000 a year will receive the biggest single gain, with the 34 per cent and 43 per cent rates to be replaced by a single, 30 per cent rate.

Some \$1 per cent of income tax payers will be on rates of 30 per cent or less when the reforms are complete.

Much of the tax cut program will be paid for by slashing projected Budget surpluses by \$18 billion over the next four years, effectively halv-

ing the \$8 billion surplus for 2001-2. The Government expects to get \$3 billion from a crackdown on the \$18 billion black economy, and from other moves against tax evasion.

The Government is also banking on a tax revenue boost from the extra economic growth it believes the package will deliver, by slashing exporter costs by \$4.5 billion.

Today the Government will start negotiations with business groups over cutting company tax from 36 per cent to 30 per cent, possibly in return for changes to depreciation rates and research allowances.

In addition to the tax cuts, the Government has aimed new and increased benefits at families, with a priority on single income households with a child aged under five, who will receive \$350 a year more.

Child care assistance will rise by \$7.50 a week, and all pensioners and families will receive \$140 a year extra for dependent children.

The Government will forfeit \$1.2 billion through a 30 per cent, non-means tested rebate of health insurance premiums in a bid to stop desertions from funds and ease the burden on the public system.

The rebate could be worth \$600 a year for those with just hospital cover, and up to \$840 if ancillary insurance is also taken out.

The new rebate will be in addition to the existing \$300 million income tested rebate.

The \$27 billion in GST receipts will go directly to State governments in what Mr Howard called a "financial remaking of the Federation".

This will give States a guaranteed source of money from the fastest-growing economic sector — services — and will end the annual Premiers' Conference haggling over tax sharing with the Commonwealth.

To get the money, the States will have to agree to take over the Commonwealth's \$18 billion a year funding of local government and pay for the \$7000 first homeowners' assistance scheme.

And they will have to scrap "inefficient" taxes such as financial institutions duty, bank accounts debits tax and stamp duties on conveyancing for business properties.

However, the most lucrative stamp duty on homes remains.

From July 2000 State governments will give a \$7000 rebate to first home buyers, no matter the value of the property or income.

This will compensate for the GST, which could add 5 per cent to the cost of building a house.

Rents are expected to rise by about 2.5 per cent because of the GST on real estate agent services.

TAX: THE NEW DEAL

Philips Twist mobile with minimum 15-month Telstra Mobilenet contract. Strathfield Car Radio.

Now \$444 with 22 per cent tax.
With GST \$400.



Paul Smith sunglasses, Oxford Eyes, Darlinghurst.
Now \$330 with 22 per cent tax.
With GST \$310.



Meal at Doyles, Watsons Bay. Soup of the day, fried fish, glass of house wine.
Now \$16.95 no tax.
With GST \$18.60.



Women's medium length hair wash, cut and blow dry. Stefans, Centrepont.
Now \$39.95 no tax.
With GST \$43.95.



Flat white coffee, Chatswood Coffee Lounge, Victoria Ave.
Now \$2 no tax.
With GST \$2.20.



Sydney to Melbourne return full economy airfare, Ansett.
Now \$576 plus \$3.40 airport tax.
With GST \$637 including airport tax.

27 things and the GST

TAX reform would hit retail prices in different ways. KIM SWEETMAN went shopping with a GST. The prices listed are intended as estimates and will vary because of different retail mark-ups between suppliers and because wholesalers pay different prices for their goods depending on the size of their business. They are based on information available — wholesale prices for the goods listed are not generally made public.



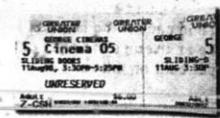
Chocolate mud cake for six. Just Desserts, Glebe.
Now \$18 no tax.
With GST \$19.80.



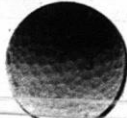
Neil Finn's Try Whistling. This compact disc. HMV Records, City.
Now \$29.95 with 22 per cent wholesale tax.
With GST \$27.



12-month subscription to marie claire magazine.
Now \$66 no tax.
With GST \$72.60.



Ticket to Sliding Doors.
Now \$12.50 no tax.
With GST \$13.75.



Titleist Balata professional golf ball, Moore Park Golf Course Pro Shop.
Now \$8 with 22 per cent tax.
With GST \$7.20.



F1 Playstation game, Grace Bros.
Now \$199 with 22 per cent wholesale tax.
With GST \$180.



Hoover Boss 7.5kg washing machine. Harvey Norman.
Now \$899 with 12 per cent tax.
With GST \$880.



Average sized, maintained lawn cut by Jim's Mowing Service.
Now \$15 no tax.
With GST \$16.50.



Emporio Armani silk tie.
Now \$95.00 no tax.
With GST \$104.50.



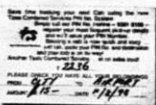
Toyota Camry, automatic with air conditioning. Toyota Parramatta.
Now \$27,888 with 22 per cent tax.
With GST \$26,195.



Ticket to the Australian Ballet's Bayadere, Sydney Opera House, top seats.
Now \$70 no tax.
With GST \$77.



Women's basic black T-shirt by Marcs.
Now \$39.95 no tax.
With GST \$43.55.



Taxi fare, City to airport, Taxis Combined.
Now \$15 no tax.
With GST \$16.50.



Concert ticket to Pulp, Enmore Theatre.
Now \$45.20 including booking fee no tax.
With GST \$49.40.



Shiatsu massage, Korean Baths, Hotel Capital, Kings Cross.
Now \$20 entry plus \$40 massage no tax.
With GST \$66.



Contax G2 camera, Fletchers Photographics.
Now \$3682 with 32 per cent tax.
With GST \$3069.



Single adult train ticket from City to Parramatta.
Now \$2.80 no tax.
With GST \$3.10.



Car parking at Secure, George St, from 9am to 5.30pm.
Now \$41 no tax.
With GST \$45.10.



Dunhill Red 20s, king size filters. Sol Levy Tobacconist.
Now \$6.25 with 50.32 per cent wholesale tax.
With GST \$6.65.



Carton of VB stubbies.
Now \$26.93 with 37 per cent tax.
With GST \$27.43.



Absolut Vodka, 700ml.
Now \$28.94, 37 per cent wholesale tax.
With GST \$28.92.

Food bills, clothes to cost more

By DAVID LUFF
Economics Reporter

HOUSEHOLD essentials including food and clothing face some of the highest price increases under the Federal Government's proposed 10 per cent goods and services tax.

The GST would be levied on goods and services in all areas except health, education, child care, local council rates, exports and charities.

The new tax would replace the existing wholesale sales tax system and allow the Government to scrap nine other taxes including bank account taxes, most stamp duties and bed taxes.

More than \$27 billion would be raised from the GST in the 12 months after its planned introduction on July 1, 2000, with the States handed the revenue from the new tax.

Treasury projections point to annual revenue of \$32 billion by 2002-03.

The Government conceded households could expect to pay more for most products under the GST.

But the full 10 per cent would not be passed on because of the removal of existing taxes.

The one-off impact of the



tax reforms — introducing a GST and removing the existing taxes — was expected to produce an overall price increase of 2.2 per cent.

Treasurer Peter Costello pointed out some prices will fall, with the cost of cars, electrical appliances, health services and pharmaceutical products expected to decline after existing taxes are replaced.

Domestic products would wear relatively high price increases, with Treasury experts predicting consumers would pay 4.4 per cent more for food.

Basic food items would face the biggest price rises, with meat expected to jump by 7 per cent and fruit and vegetables by 6 per cent.

These products are currently exempt from wholesale sales tax.

Dairy products were expected to climb by 3 per cent while bread is forecast to increase by about 4 per cent.

SHOPPING WITH THE GST

Before

PROUDLY AUSTRALIAN WOOLWORTHS THE FRESH FOOD PEOPLE	
DIET COKE 1250ML	1.37
DIET COKE 1250ML	1.37
ORANGE TAVERN 2L	3.49
SMITHS CHCKN 2PK	3.15
KLHX T/TISS 6PK	3.97
GLD WRP 60MX33CM	3.29
BANANA	
1.130 KG @ \$2.49/KG	2.81
POT DESIREE P/P 2KG	3.99
WEETBIX 750G	2.99
HOME EGGS 12X50G	2.58
ARNTS T/TAM 200G	1.69
FLAT SPAG 500G	1.70
W/WRTHS MILK 1L	1.16
MCCAIN PEAS 500G	1.51
BEGA CHEESE 500G	3.79
VEGEMITE 455G	4.99
NESCAFE COF 100G	4.84
NIVEA RL/ON 50ML	2.99
SHAMP BABY 500ML	1.10
COLG T/PSTE 110G	2.17
SHMP KIDS 200ML	3.64
M/FRSH LIQ 500ML	2.99
22 BALANCE DUE	\$61.66
16:22 13/08/98	



Food and tax

Consumers will pay extra at the checkout for fresh food (now untaxed) when the GST is introduced in July 2000. But they will save on items like soap, detergent, hair care products, shampoo and cleaning agents (that now attract a 22 per cent wholesale sales tax).

The Government estimates the overall impact of the new tax will be an average increase of 2.2 per cent on prices.

Retailers have the option of incorporating the 10 per cent GST either on the retail price or list it separately on the docket.

Australian Competition and Consumer Commission will be given new powers to ensure price reductions are passed on where the tax is reduced for items.

After

PROUDLY AUSTRALIAN WOOLWORTHS THE FRESH FOOD PEOPLE	
DIET COKE 1250ML	1.26
DIET COKE 1250ML	1.26
ORANGE TAVERN 2L	3.49
SMITHS CHCKN 2PK	3.15
KLHX T/TISS 6PK	3.65
GLD WRP 60MX33CM	3.29
BANANA	
1.130 KG @ \$2.49/KG	2.95
POT DESIREE P/P 2KG	4.19
WEETBIX 750G	3.14
HOME EGGS 12X50G	2.71
ARNTS T/TAM 200G	1.69
FLAT SPAG 500G	1.97
W/WRTHS MILK 1L	1.22
MCCAIN PEAS 500G	1.59
BEGA CHEESE 500G	3.90
VEGEMITE 455G	5.49
NESCAFE COF 100G	5.08
NIVEA RL/ON 50ML	2.75
SHAMP BABY 500ML	1.89
COLG T/PSTE 110G	1.99
SHMP KIDS 200ML	3.35
M/FRSH LIQ 500ML	2.75
22 BALANCE DUE	\$62.04
16:22 01/07/2000	

How GST will affect prices

FOOD: All food taxed at 10 per cent. Fresh food such as fruit, vegetables, milk, meat up 10 per cent. Biscuits, snacks, lollies, flavoured milk down marginally. Fruit juice, soft drinks down about 10 per cent.

CLOTHING: All footwear and clothing up 10 per cent.

HOUSING: New home prices up 4.7 per cent, offset by \$7000 first home buyers allowance. No GST on existing houses, no GST on private land sales. GST to apply only to the profit on developed land. No GST on rents, but some indirect increase likely.

HEALTH: Virtually all health services will be GST-free including: Visits to the doctor; surgical

procedures, ultrasounds, optometry, pathology etc; hospital accommodation; dental services, home nursing, counselling, therapy etc; nursing home charges; medical appliances such as wheelchairs; prescription drugs through the Pharmaceutical Benefits Scheme. GST will apply to drugs such as aspirin, cough medicine, Band-aids and bandages.

HOUSEHOLD: TVs, videos, cameras and stereos 20 per cent cheaper. Computers, telephones and lawnmowers down 10 per cent. Furniture prices down marginally. Carpets and floor coverings down slightly. Whitegoods down marginally. Household cleaning products down 10 per cent. Most bathroom items down 10 per cent. Most garden and hardware tools

down 10 per cent. Toys, computers games and CDs down 10 per cent.

EDUCATION: Most education services will be GST-free including: Pre-school, primary and secondary education; University or TAFE tuition that leads to a degree, diploma etc; boarding school accommodation. The GST will be levied on: Tuckshops; school uniforms; school bus services; schools equipment hire (e.g. musical instruments); goods sold at school fetes; school books, computers etc; self-improvement courses such as writing skills.

PETROL: No change in pump price for consumers. Fall of 7 cents a litre for business. Cut in diesel fuel excise for heavy vehicles from 43 cents to 18 cents a

litre. Extension of diesel fuel rebate. **ALCOHOL:** Tax rates increased to compensate for lower GST. Carton of full strength beer up 50 cents, light beer down 4 cents. Wine cask up 21 cents, medium-price bottle of wine up 46 cents; expensive bottle up 59 cents. Heavily taxed spirits such as whisky unchanged, lower taxed spirits such as brandy up \$1.50

TOBACCO: Excise changed from weight to price per cigarette from 1/7/99. Premium brand cigarettes rise 6.5 per cent, cheap 50s rise substantially more.

CARS: Tax on cars falls from 22 per cent to 10 per cent. Family car down \$3000-\$4000, medium car down \$2500, small car down \$1300. Additional luxury car tax of 25 per

cent for cars above \$60,000.

ENTERTAINMENT: All cinema and theatre tickets up 10 per cent. The GST will apply to most holiday items except overseas airfares and domestic airfares purchased overseas. Foreign tourists will pay GST on hotels, restaurants etc. GST rebate for goods taken out of Australia. State bed taxes will be abolished.

CHILD CARE: Child care is exempt from the GST

CHARITIES: Charitable activities are exempt from the GST. Commercial activities of charities are to be taxed. Religious services will be GST free.

TAX: THE NEW DEAL

Families in the

HOW THE GST AFFECTS YOUR INCOME*

Annual income (\$/yr)	Current tax paid (\$/wk)	Value of tax cuts (\$/wk)	Personal income tax cuts and increases in Family Package Benefits (\$/wk)	Increase in Social Security payments (\$/wk)	Change in disposable income (\$/wk)	Cost of living adjustment from GST (\$/wk)	What is the total package worth to me? (\$/wk)	Annual income (\$/yr)	Current tax paid (\$/wk)	Value of tax cuts (\$/wk)	Personal income tax cuts and increases in Family Package Benefits (\$/wk)	Increase in Social Security payments (\$/wk)	Change in disposable income (\$/wk)	Cost of living adjustment from GST (\$/wk)	What is the total package worth to me? (\$/wk)
Single person								Dual income couple (income split 50:50) — 2 children between 5 and 13 years							
\$0	0	0	0	5.71	5.71	3.17	2.54	\$0	0	0	5.37	10.31	15.68	7.74	7.94
\$5,000	16.30	2.88	2.88	6.51	9.39	3.95	5.44	\$5,000	8.35	-2.19	3.18	11.31	14.49	9.04	5.44
\$10,000	27.63	5.37	5.37	6.51	11.88	4.27	7.61	\$10,000	31.56	4.71	10.08	11.91	21.99	9.31	12.68
\$15,000	38.26	6.80	6.80	3.68	10.48	4.66	5.82	\$15,000	42.88	9.18	14.55	11.91	26.46	9.64	16.83
\$20,000	58.88	10.36	10.36	0	10.36	6.07	4.28	\$20,000	48.63	10.05	15.42	11.91	27.33	10.07	17.26
\$25,000	93.92	12.31	12.31	0	12.31	7.21	5.10	\$25,000	54.38	10.91	16.28	11.91	28.19	10.50	17.69
\$30,000	127.96	16.15	16.15	0	16.15	8.37	7.78	\$30,000	76.52	14.96	58.20	0	58.20	10.45	47.75
\$35,000	162.01	19.98	19.98	0	19.98	9.52	10.46	\$35,000	97.14	17.84	59.93	0	59.93	11.34	48.60
\$40,000	199.50	27.27	27.27	0	27.27	10.62	16.66	\$40,000	117.76	20.71	34.04	0	34.04	12.74	21.30
\$45,000	242.17	39.74	39.74	0	39.74	11.61	28.13	\$45,000	150.81	19.72	25.09	0	25.09	13.92	11.17
\$50,000	284.85	52.21	52.21	0	52.21	12.61	39.60	\$50,000	187.84	24.63	30.00	0	30.00	15.02	14.98
\$55,000	331.36	58.92	58.92	0	58.92	13.53	45.39	\$55,000	221.88	28.46	33.83	0	33.83	16.18	17.65
\$60,000	377.87	65.63	65.63	0	65.63	14.45	51.18	\$60,000	255.93	32.30	37.67	0	37.67	17.33	20.33
\$65,000	424.38	72.34	72.34	0	72.34	15.38	56.97	\$65,000	289.97	36.13	41.50	0	41.50	18.49	23.01
\$70,000	470.89	79.06	79.06	0	79.06	16.30	62.76	\$70,000	324.01	39.97	45.34	0	45.34	19.65	25.69
\$75,000	517.40	85.77	85.77	0	85.77	17.22	68.55	\$75,000	358.06	43.81	81.30	0	81.30	20.20	61.10
\$80,000	563.90	85.77	85.77	0	85.77	18.15	67.62	\$80,000	399.00	54.55	69.02	0	69.02	21.23	47.79
\$90,000	656.92	85.77	85.77	0	85.77	19.99	65.78	\$90,000	484.35	79.48	79.48	0	79.48	23.22	56.26
\$100,000	749.94	85.77	85.77	0	85.77	21.84	63.93	\$100,000	569.70	104.41	104.41	0	104.41	25.21	79.20
\$125,000	982.49	85.77	85.77	0	85.77	26.46	59.31	\$125,000	802.24	137.97	137.97	0	137.97	29.83	108.15
\$150,000	1,215.04	85.77	85.77	0	85.77	31.08	54.69	\$150,000	1,034.79	171.54	171.54	0	171.54	34.45	137.09
Single income family — one dependent child aged under 5 years								Dual income family (income split 67:33) one child under 5 years							
\$0	0	0	9.40	10.31	19.71	6.91	12.80	\$0	0	0	9.40	10.31	19.71	6.91	12.80
\$5,000	16.30	2.88	12.27	11.11	23.39	7.69	15.70	\$5,000	9.97	-0.58	8.82	11.31	20.13	8.18	11.95
\$10,000	24.32	5.02	14.42	11.11	25.53	8.07	17.46	\$10,000	26.76	2.81	12.21	11.61	23.82	8.55	15.28
\$15,000	33.95	7.48	16.88	11.11	27.99	8.43	19.56	\$15,000	39.39	6.79	25.77	11.91	37.69	8.69	28.99
\$20,000	53.13	10.36	30.81	11.11	41.92	8.61	33.31	\$20,000	48.63	10.05	29.03	11.91	40.94	9.06	31.89
\$25,000	86.73	11.07	23.59	10.46	34.05	9.06	24.99	\$25,000	56.56	8.70	27.69	11.91	39.60	9.45	30.16
\$30,000	127.96	16.15	53.12	0	53.12	9.49	43.63	\$30,000	73.68	14.63	44.89	0	44.89	9.68	35.21
\$35,000	162.01	19.98	29.38	0	29.38	10.64	18.74	\$35,000	103.31	16.08	18.77	0	18.77	10.92	7.85
\$40,000	199.50	27.27	36.67	0	36.67	11.74	24.93	\$40,000	133.22	20.14	22.82	0	22.82	12.16	10.67
\$45,000	242.17	39.74	49.14	0	49.14	12.73	36.40	\$45,000	166.63	23.66	26.34	0	26.34	13.32	13.02
\$50,000	284.85	52.21	61.60	0	61.60	13.73	47.88	\$50,000	196.24	27.18	29.86	0	29.86	14.56	15.30
\$55,000	331.36	58.92	68.32	0	68.32	14.65	53.67	\$55,000	225.85	30.70	33.38	0	33.38	15.80	17.58
\$60,000	377.87	65.63	75.03	0	75.03	15.57	59.45	\$60,000	259.26	38.01	40.70	0	40.70	16.97	23.73
\$65,000	424.38	72.34	91.33	0	91.33	16.32	75.01	\$65,000	297.25	45.18	47.86	0	47.86	18.05	29.81
\$70,000	470.89	79.06	110.27	0	110.27	17.01	93.26	\$70,000	338.34	54.79	69.71	0	69.71	19.80	52.10
\$75,000	517.40	85.77	109.31	0	109.31	17.87	91.45	\$75,000	379.39	64.66	71.90	0	71.90	20.80	49.62
\$80,000	563.90	85.77	102.07	0	102.07	18.79	83.28	\$80,000	421.79	70.43	70.43	0	70.43	21.81	59.15
\$90,000	656.92	85.77	102.07	0	102.07	20.64	81.44	\$90,000	506.58	81.95	81.95	0	81.95	22.81	68.67
\$100,000	749.94	85.77	102.07	0	102.07	22.48	79.59	\$100,000	591.37	93.48	93.48	0	93.48	24.81	86.67
\$125,000	982.49	85.77	102.07	0	102.07	27.10	74.97	\$125,000	808.96	116.16	116.16	0	116.16	29.70	86.45
\$150,000	1,215.04	85.77	102.07	0	102.07	31.72	70.35	\$150,000	1,035.17	136.73	136.73	0	136.73	34.44	102.29
Sole parent — one dependent child aged under 5 years								Dual income family (income split 67:33) 3 children, one under 5 years							
\$0	0	0	24.63	6.48	31.11	5.14	25.97	\$0	0	0	14.77	10.31	25.08	8.93	16.15
\$5,000	6.27	4.86	23.22	10.10	33.32	6.64	26.68	\$5,000	9.97	-0.58	14.19	11.31	25.50	10.20	15.30
\$10,000	21.85	3.47	6.24	19.69	25.93	7.53	18.40	\$10,000	26.76	2.81	17.58	11.61	29.19	10.56	18.63
\$15,000	37.43	-0.26	0.02	29.28	29.29	8.18	21.11	\$15,000	39.39	6.79	31.14	11.91	43.06	10.71	32.34
\$20,000	56.43	-8.01	-7.74	38.87	31.13	8.73	22.40	\$20,000	48.63	10.05	34.40	11.91	46.31	11.08	35.24
\$25,000	86.73	-3.45	3.08	32.92	36.00	9.23	26.77	\$25,000	54.38	10.91	35.27	11.91	47.18	11.51	35.67
\$30,000	127.96	16.15	60.28	0	60.28	9.35	50.92	\$30,000	67.89	14.63	54.57	0	54.57	11.73	42.84
\$35,000	162.01	19.98	39.36	0	39.36	10.46	28.90	\$35,000	103.31	16.08	75.20	0	75.20	11.96	63.24
\$40,000	199.50	27.27	46.65	0	46.65	11.55	35.10	\$40,000	133.22	20.14	74.08	0	74.08	12.76	61.32
\$45,000	242.17	39.74	59.12	0	59.12	12.55	46.57	\$45,000	166.63	23.66	48.83	0	48.83	13.92	34.90
\$50,000	284.85	52.21	71.58	0	71.58	13.54	58.04	\$50,000	196.24	27.18	35.23	0	35.23	15.16	20.07
\$55,000	331.36	58.92	78.30	0	78.30	14.46	63.83	\$55,000	225.85	30.70	38.75	0	38.75	16.40	22.35
\$60,000	377.87	65.63	85.01	0	85.01	15.39	69.62	\$60,000	259.26	38.01	46.07	0	46.07	17.57	28.50
\$65,000	424.38	72.34	91.72	0	91.72	16.31	75.41	\$65,000	297.25	45.18	53.23	0	53.23	18.65	34.58
\$70,000	470.89	79.06	120.25	0	120.25	16.83	103.42	\$70,000	338.34	54.79	62.85	0	62.85	19.68	43.17
\$75,000	517.40	85.77	119.29	0	119.29	17.68	101.61	\$75,000	379.39	64.66	72.72	0	72.72	20.71	52.01
\$80,000	563.90	85.77	112.05	0	112.05	18.60	93.45	\$80,000	421.79	70.43	120.91	0	120.91	20.80	100.11
\$90,000	656.92	85.77	112.05	0	112.05	20.45	91.60	\$90,000	506.58	81.95	81.95	0	81.95	22.81	59.15
\$100,000	749.94	85.77	112.05	0	112.05	22.30	89.76	\$100,000	591.37	93.48	93.48	0	93.48	24.81	68.67
\$125,000	982.49	85.77	112.05	0	112.05	26.91	85.14	\$125,000	808.96	116.16	116.16	0	116.16	29.70	86.45
\$150,000	1,215.04	85.77	112.05	0	112.05	31.53	80.52	\$150,000	1,035.17	136.73	136.73	0	136.73	34.44	102.29

*These are official Treasury tables released by the Federal Government yesterday

winner's circle

By SUE DUNLEVY

FAMILIES with a non-working parent and pre-school children have most to gain from the proposed family tax cuts and changes to family welfare payments announced yesterday.

A doubling in the tax threshold will allow single-income families to earn \$13,000 a year before paying tax, giving them bigger benefits than families with two working parents.

The Government estimates a single-income family earning \$40,000 a year with two children, one aged under 5, will be \$35.27 a week better off under a GST once tax cuts and family benefit increases are included.

A dual-income family on \$40,000 a year with two children will only be \$21.01 a week extra, but will benefit from a small increase in child care payments.

Prime Minister John Howard denied yesterday that the higher tax break to single-income families was meant to keep mothers at home. "What we've tried to do with these changes is to maximise the choice, not to dictate stereotype," he said.

As well as increases in the tax threshold and cuts to income tax rates, families will also benefit from an increase in the Family Tax Initiative, a fortnightly payment introduced last year.

It will increase from \$34.64 to \$58.86 for a family with two children, one aged under 5.

For a family with two children aged over 5, the Family Tax Initiative payment will increase from \$15.40 a fortnight to \$25.76.

The level at which the Family Tax Initiative payment becomes income tested will increase from \$70,000 a year to \$73,000 plus \$3000 for each additional child. It will now be withdrawn at the rate of 30 cents in the dollar.

The Government also plans to simplify the complicated system of family and welfare payments from July 2000 by merging 12 separate payments into three.

Families with children aged over 5 will qualify for the Family Tax Benefit Part A, worth \$49.56 a week to a family on average earnings with two children.

This payment will replace the \$23.50 minimum family allowance, the \$30 maximum family allowance paid to low-income



families, the \$7.70 per child Family Tax Initiative and the new \$5.38 family tax break offered under the GST package.

Families where one parent stays at home to care for children aged under 5 will qualify for Family Tax Benefit part B, worth \$37.80 a fortnight for a family on average earnings with two children.

These families will also receive Family Tax Benefit part A worth \$49.56 a fortnight bringing their total family benefit to \$147.36.

Family Tax Benefit Part B will include the Basic Parenting Payment of \$65.10, the Guardian Allowance, the Family Tax Initiative Part B worth \$19.24, the Dependent Spouse Rebate, the Sole Parent Rebate and the new Family Tax assistance worth \$13.46 offered under the GST package.

A third child care payment merging the Childcare Cash Rebate and Childcare Assistance will be called the Child Care Benefit with maximum assistance for low income families set at \$116.40 a week per child.

The Government will ease welfare traps that mean some low-income families are worse off if they earn more money because they lose family welfare payments as well as pay higher tax.

The income test for family payments will be increased to \$28,200 a year in July 2000.

And the rate at which family welfare payments are withdrawn will be reduced from 50 cents to 30 cents in the dollar.

The Government plans to establish a new Family Assistance Office within the Australian Tax Office to deliver the new, simplified family benefits.

It will enable families to deal with just one agency when they need to apply for child care, family welfare and family tax payments.

* Calculations based on current and proposed tax rates + 1.5 per cent Medicare levy.

Child care increase for some parents



By KATE HANNON

LOW income families will receive extra child care assistance of up to \$7.50 per week.

The maximum increase of \$390 a year will apply to families earning up to \$28,200 a year who use child care for a maximum of 50 hours per week.

Child care services will be exempt from the proposed goods and services tax, together with health and education services.

A new child care benefit will replace the current child care assistance and child care cash rebate payments.

It will give families with a combined salary of up to \$28,200 a benefit of up to \$6068 a year compared with a maximum of \$5677 available under the current schemes.

They will be entitled to an additional \$11 a week if they have two children in care and \$32 a week if they have three or more children in care.

Where a family uses informal work-related child care, the maximum level of assistance will be \$20.10 a week per child in care, for a maximum of 50 hours.

Parents earning more than \$28,200 a year will have their income tested.

The benefit will taper off until the combined parental salary reaches \$78,400.

The Government decided to exempt child care services from the GST package because child care often includes an educational component.

It will apply to short and long day care, both before and after school care, family day care, occasional care and child care facilities at fitness clubs and registered clubs.

Child care which involves a baby-sitter, play centres, holiday camps, sporting and craft programs will still be taxable.

As with other forms of family assistance, recipients will be able to choose how they receive child care benefit.

It will be administered by the new Family Assistance Office which will be set up within the Tax Office.

The primary carer in the family can choose between a regular fortnightly payment to their bank account, a reduction in their tax deductions or as an end of year lump sum through the tax system.

More earners to pay less tax



INCOME TAX: The plan			
Current scale*		New scale	
Taxable income	Tax rate (%)	Taxable income	Tax rate (%)
0 - 5400	0	0 - 6000	0
5401 - 20,7000	20	6001 - 20,000	17
20,701 - 38,000	34	20,001 - 50,000	30
38,001 - 50,000	43	50,001 - 75,000	40
50,001 +	47	75,001 +	47

* In addition, the \$150 low income rebate applies to both the current and new scales.

ALMOST 10 million people would receive tax cuts, on average, of \$40 a week under the Coalition's package.

About 80 per cent of Australians would pay less than 30 cents in the dollar in income tax under the restructure of personal tax rates announced yesterday, with every tax bracket except the highest being cut.

On average the rates would produce income tax cuts of 14 per cent, totalling \$13 billion a year.

Low to middle income earners receive the smallest income tax benefit.

Workers earning between

\$30,000 and \$40,000 a year would receive below average reductions in tax.

But under the changes a huge middle income tax bracket would be created, making it easier for workers to have a second job or work overtime without moving into a higher tax bracket.

Under the new system proposed from July 2000, the tax-

free threshold would be raised to \$6000 from \$5400, instantly reducing people's annual tax bill by \$120.

The lowest marginal tax — applying to workers earning between \$6001 and \$20,000 — would drop from 20 per cent to 17 per cent.

The new 30 per cent bracket would apply to all workers earning between \$20,001 and

\$50,000, replacing the existing 34 per cent and 43 per cent tax rates.

Workers earning between \$50,001 and \$75,000 would receive the biggest tax cuts, with the rate falling from 47 per cent to 40 per cent.

Taxpayers in this bracket would receive a tax cut of more than \$52 a week. Workers must earn \$75,000

before hitting the top tax rate of 47c in the dollar.

Under the existing system, workers earning \$50,000 or more are taxed under the highest rate.

Taxpayers would have to earn 17 times average incomes to fall into the new top tax bracket. This compares to the current 1.2 times.

The Coalition's package shows 81 per cent of taxpayers on a marginal tax rate of less than 30 per cent — almost three times more than the current system.

Workers on average earnings — expected to be about \$45,000 in 2001-02 — would receive a tax cut of \$2072 a year, or \$40 a week.

Low income earners — up to \$20,000 a year — could expect a 17 per cent tax cut, for an extra \$10.36 a week.

But big earners receive the biggest tax cuts in dollar terms, those earning more than \$75,000 in line for a reduction in tax of \$86 a week.

Looking healthier

\$600 rebate for private health insurance



HEALTH

By SUE DUNLEVV

HEALTH fund members will receive back 30 per cent of the cost of their insurance premiums under a new initiative that will double the existing private health insurance tax rebate.

The new measure begins in January next year and will replace the Government's Private Health Insurance Incentive Scheme that failed to arrest the decline in health fund membership.

Under the existing scheme the maximum tax rebate for a family is \$450, \$250 for couples and \$125 for singles. Under the new scheme a family that spends \$2000 a year on private hospital insurance will receive a \$600 rebate.

If the same family buys ancillary insurance to cover dental and optical and other bills they will also receive a 30 per cent rebate on the extra payments — about \$240 on an \$800 policy. Their total benefit will be \$840 compared to \$450 under the current system.

Singles will receive back \$300 on a \$1000 hospital insurance policy, as well as a further \$120 on an ancillary insurance package costing \$400 — a total of \$420 compared with \$125 now.

THE GST AND HEALTH

• The 1.5 per cent Medicare levy remains — as does the 1 per cent tax surcharge on singles earning more than \$50,000 and families earning more than \$100,000 a year.

• People with private health care can claim a new 30 per cent tax rebate from January — worth about \$600 a year for families who pay \$2000 in annual insurance cover.

• The new scheme will replace the Government's Private Health Insurance Incentive Scheme that failed to arrest the decline in health fund membership.

• Singles will receive back \$300 on a \$1000 hospital insurance policy and a further \$120 on an STET insurance package.

• Families who buy ancillary insurance to cover dental and optical and other bills will also receive a 30 per cent rebate — about \$240 on an \$800 policy.



The existing tax rebate scheme is means tested and applies only to families earning less than \$70,000 and singles earning less than \$35,000. This means test will be abolished on January 1, 1999.

Prime Minister John Howard dismissed claims the new health fund tax rebate was a tax break for the rich even though 70 per cent of those earning over \$70,000 have

insurance. He said he did not believe it was necessary to means test everything and it was more desirable to have a strong private health insurance system.

Wealthy people still face a penalty if they refuse to take out health insurance.

The Medicare Levy surcharge applying to high income earners, singles earning more than \$50,000

and families more than \$100,000, will still apply.

If these people continue to refuse to take out private health insurance they will have to pay an extra 1 per cent on top of their 1.5 per cent Medicare Levy.

Health fund members can claim the new 30 per cent rebate on their health insurance either through the tax system or from the newly

created Family Assistance Office.

Treasury officials have advised that families whose tax rate is less than 30 per cent will be better off claiming the rebate from the Family Assistance Office as they will lose some of the value if claiming through the tax system.

The Government is expecting a "significant increase" in the number of people in private insurance as a result of the measure despite the failure of its earlier tax break to boost membership.

But Treasurer Peter Costello yesterday refused to put a hard estimate on the number of extra people the new incentive would bring into fund membership.

The Government also expects the new more generous rebate will encourage people to take out comprehensive health insurance and therefore rely less on the public hospital system.

Under the existing scheme many people have taken health fund policies with large excesses that mean they must pay the first \$200-\$2000 of their private health bills and this has deterred them from using the private system.

The Opposition yesterday criticised the Government for spending \$1.5 billion per year on private insurance after it had already given the States just \$200 million a year extra to entice them to sign the Medicare agreements.

If the new measure is a success it could also cost the public hospital system money.

If health insurance coverage rises above 33 per cent of the population the States will lose a percentage of their Medicare funding.

Smokers, drinkers pay for their sins

By MATTHEW HORAN

BEER and cigarette prices will rise through new "sin taxes" to promote healthier living.

The Government will scrap the wholesale sales tax and complex cigarette taxes, but will levy new charges to ensure most alcohol and all tobacco prices rise through a GST.

The price of a carton of full-strength beer will increase by 50 cents under a GST, with the price of some spirits jumping by more than \$1.50 a bottle.

Low-alcohol beer with an alcohol content below 14 per cent will be excise-free, meaning a slight drop in price and encouraging drinkers to stick with lighter ales.

Cigarettes will increase in price by about 6.5 per cent — an increase of 46 cents on a \$7 packet of 25 cigarettes.

But large packets of up to 50 light cigarettes will rise in price even further, because of new arrangements to tax cigarettes on a "per stick" basis, instead of by the tobacco weight.

The tax package says high-volume packs will have a "substantial" increase in price as "an intentional outcome of the design of this exercise on the basis of health grounds".

The Government said the old system caused greater health problems because it encouraged people to smoke more lighter cigarettes.

But the Government has rejected pressure from health groups to increase tobacco taxes by 15 per cent at the same time as introducing the tax.

Cigars and pouch tobacco will still be taxed on weight.



ALCOHOL & TOBACCO

The excise on beer will be increased to make up for the removal of the 37 per cent wholesale sales tax.

But the change in excise will be limited to ensure the retail price of beer stays about the same as the price increase associated with GST.

The excise-free limit on low-alcohol beer will be raised from 1.15 per cent alcohol content to 1.4 per cent. This will mean a greater price difference between full-strength and light beer.

A new wine equalisation tax will be introduced to replace the difference between the current 41 per cent wholesale sales tax and the GST.

It will be levied to ensure a 4-litre cask of wine will increase only by as much as the general rise under a GST.

A medium-priced \$14.99 bottle of wine, such as a 1997 Rosemont Chardonnay, will increase by about 46 cents under the new arrangements.

Spirits and liqueurs will have an excise rise to offset the wholesale sales tax removal.

The change in excise will not see a significant price rise, although brandy excise will increase, meaning a price rise of about \$1.50 per 700ml bottle.

Deal the saviour of punters

PUNTERS should escape paying extra tax on their winnings, but it will rely on a deal being struck between the State governments and Canberra.

The proposed 10 per cent GST will hit hotels, casinos and bookies but the Federal Government is hopeful State charges will be cut by the same amount.

This means the cost of gambling, like petrol, will stay the same despite massive changes in the way taxes are collected.

Under the proposed changes, a 10 per cent GST would hit the profit margin of gambling operators — not levied directly on prizes.

"The tax will apply to the total 'ticket sales' or 'bets taken' by the operator of the gambling or lottery activity and the value of the prizes or the winnings paid out," the government package says.

Gambling revenue has been one of the key areas States have turned to as they boost revenue.

Exemption hope for Games tickets

By MATTHEW HORAN

SYDNEY Olympics tickets may be GST-free under special arrangements to soften the transition to a new tax system.

The State Government's controversial bed tax also could be abolished. Tax Office officials said because many people already had bought tickets for the Games, such as gold passes, a special "grandfather clause" may be introduced to keep the prices the same.

"It is one of those things which will have to be decided after a consultation period," a Tax Office spokesman said.

"It is an issue because people have already bought gold passes."

"We may have to look at whether there will be certain grounds for exemptions."

Exemptions also could be granted for construction projects associated with the Olympics, for which GST payments would be made after July 1, 2000.

People staying in Sydney after July 1, 2000, may not have to pay the 10 per cent bed tax, introduced by the Carr Government to raise money for the Olympics. Treasurer Peter Costello said the bed tax would be abolished because of the GST.

But visitors to the Olympics still will face a GST on all purchases — such as programs, souvenirs and food.

The GST also will raise the price of sporting fixtures, such as rugby league games and AFL matches.

Supporters will pay an extra \$6.20 on the price of a \$62 ticket to watch the Wallabies take on the All Blacks in a



OLYMPICS

Bledisloe Cup rugby match — along with 10 per cent GST on pies, beers and boxing kangaroo flags.

Opposition sports spokesman Stephen Martin, a former Illawarra Steelers director, said a family of four would pay up to \$10 more to watch the Steelers play in the NRL under a GST — assuming the team is still around in 2000.

Non-profit sporting organisations, such as netball clubs and local rugby teams, will be able to claim GST exemptions if their turnover is less than \$100,000-a-year. But if they do, they will be unable to claim tax credits on GST for products they buy.

A spokesman for Sports Minister Andrew Thomson said the effect of the tax package would be negligible on sporting organisations.

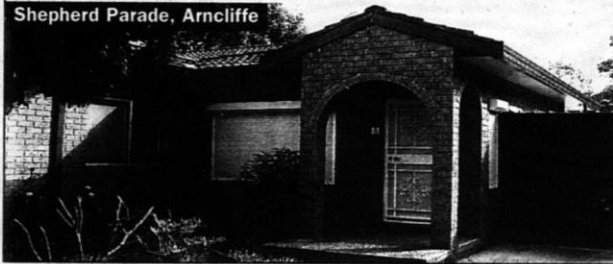
"There will probably be some positive impact because the average family will have an extra \$40 or \$50 to spend on discretionary items, like going to the footy."

The removal of the 22 per cent wholesale sales tax on sporting goods will also encourage more people to take up sport.

PROPERTY AND THE GST

	Now	New
Purchase price	\$257,000	\$257,000
Stamp duty: Purchasing	\$7485	\$7485
Mortgage	\$925	Nil
Agent's commission	\$6400	\$7040
Pest inspection	\$300	\$330
Building inspection	\$200	\$220
Rates (per quarter)	\$340	\$340
Conveyancing	\$1000	\$1100
Total	\$273,650	\$273,515

Shepherd Parade, Arncliffe



How your services will change

- RENT:** (Sydney average, two bedroom unit): \$265 a week. With GST: Expected to rise 2.3 per cent.
- GAS:** \$90 a quarter. With GST: \$99
- PAY-TV:** \$42 a month. With GST: \$46.20.
- INSURANCE:** (house and contents): \$600. With GST: \$660.
- TELEPHONE:** \$160 a quarter. With a GST \$176.
- BODY CORPORATE:** \$340 a quarter. With GST: \$374.
- ELECTRICITY:** \$123 a quarter. With GST: \$135.30.
- RATES:** Ordinary residential costs: \$704 a year. Domestic waste charge: \$165. With GST: no change.
- EXCESS WATER:** (Sydney average): \$55 a quarter. With GST: no change.

New home prices up, rents to rise

By **BEN ENGLISH** and **EMMA-KATE SYMONS**

A GST will be applied to all homes built after July 2000, adding more than \$17,000 to the cost of a newly-built home.

But sales of existing homes will be GST-free. First homebuyers will be handed a \$7000 rebate to offset GST-driven house price increases, whether they are battlers or billionaires.

And stamp duty on mortgages, \$1096 on an average Sydney home worth \$274,000, will be scrapped.

The more costly stamp duty on the purchase price, \$8080 on the average home, will remain.

The 10 per cent tax will apply to all new homes built after July 2000, driving the average new home and land package up from \$274,000 to \$291,600.

The non-means tested \$7000 lump sum payment will be available regardless of the cost of the first home and irrespective of whether it is new or established. To qualify, an applicant or an appli-



regime would destabilise the housing industry.

"It will put the industry into an artificial boom before the GST and a slump post-GST," he said.

There will be no GST on the sale of land by private individuals or on the price of an existing family home.

But repairs and renovations to existing homes will attract a GST.

The Federal Government said the \$7000 one-off payment would help people buying an older house fund their renovations. But Treasury admits the payment will only leave people buying a house with a construction value of under \$150,000 (excluding land value) better off.

The Federal Government will force the states to pay the lump sum to first homebuyers as a condition of receiving GST revenue. Residential rents are expected to jump by 2.3 per cent under a GST because while rents won't attract the new tax, owners will be paying "inputs tax".

For example, owners will pay GST when they renovate a home they rent out.

cant's spouse cannot have previously owned a home — together or separately.

The Housing Industry Association last night calculated the GST would add 6.4 per cent to the price of an average new Sydney home.

This is because the GST would be applied to the construction and sale of new homes. It also would apply to a raft of home purchase services and taxes, including conveyancing fees, pest inspections, building inspections and agents' commissions.

The increases would be slightly offset by the scrapping of existing wholesale sales taxes on carpets, bathroom fittings, heaters and air conditioning and reduced transport costs.

HIA managing director Ron Silberberg said the new

Drive away, less to pay



By **KIM SWEETMAN**

THE "\$19,900 drive away, no more to pay" offer of a Sydney car dealer yesterday for a Nissan Pulsar would have to be rescripted under a GST — the same car would cost \$1213 less.

Most cars would be cheaper under a GST, including those at the very top of the market.

Overall, cars would drop in price by around 8 per cent.

The 22 per cent tax on the average car will be scrapped.

And the current 45 per cent luxury tax on cars over \$53,000 would also disappear.

Those buying the most expensive cars would instead pay a new 25 per cent tax on every dollar over \$60,000.

Used car buyers would not be affected directly — although if the price of new cars falls, second-hand prices should also.

There would be no GST payable on a privately-sold used car and the tax would also apply only to the dealer's mark-up, not the total price.

The estimate for the start of changes to the taxation of the vehicle industry is July 2000.

The car industry has warned that the promise of a sudden price drop would cause havoc as buyers wait for lower prices.

DRIVING WITH THE GST						
\$13,999 – \$53,999						
	Imported Nissan Pulsar (manual, air conditioning) Tax rate 22 per cent	<table border="1"> <tr> <th>Now</th> <th>New</th> </tr> <tr> <td>\$19,990</td> <td>\$18,777</td> </tr> </table>	Now	New	\$19,990	\$18,777
Now	New					
\$19,990	\$18,777					
	Local Ford Fairlane (automatic, air conditioning) Tax rate 22 per cent	<table border="1"> <tr> <th>Now</th> <th>New</th> </tr> <tr> <td>\$49,101</td> <td>\$46,121</td> </tr> </table>	Now	New	\$49,101	\$46,121
Now	New					
\$49,101	\$46,121					
\$53,999 and above						
	Imported Saab 900S convertible (automatic, air conditioning) Tax rate 45 per cent	<table border="1"> <tr> <th>Now</th> <th>New</th> </tr> <tr> <td>\$71,802</td> <td>\$66,900</td> </tr> </table>	Now	New	\$71,802	\$66,900
Now	New					
\$71,802	\$66,900					
	Imported BMW 535 (automatic, air conditioning) Tax rate 45 per cent	<table border="1"> <tr> <th>Now</th> <th>New</th> </tr> <tr> <td>\$126,400</td> <td>\$122,500</td> </tr> </table>	Now	New	\$126,400	\$122,500
Now	New					
\$126,400	\$122,500					
Used cars						
	Local Commodore Berlina (automatic, air conditioning) Private sale	<table border="1"> <tr> <th>Now</th> <th>New</th> </tr> <tr> <td>\$19,990</td> <td>\$19,990</td> </tr> </table>	Now	New	\$19,990	\$19,990
Now	New					
\$19,990	\$19,990					

NOTE: the 45 per cent luxury tax applies to cars worth over \$53,999.

In New Zealand the car industry experienced a short lull in sales before the introduction of a GST, but this was offset by an almost immediate flood of buyers afterwards.

Under the tax plan revealed yesterday, if a car was occasionally used for business a person would be able to claim back a portion of the GST — the process would be similar to existing tax claims.

But if a car is simply used as a family runabout, the GST would not be refundable.

Businesses could claim the GST portion of a car price back as "input tax credits" if it is solely for business use.

For the first year there would be no refund, but in the second the business could claim back 50 per cent of the "input credit", and the entire amount in the third year.

The new formula for luxury tax would mean fewer prestige cars would be subject to the higher tax rate.

The Government claims the extra tax for top-end vehicles

would ensure the market is treated equally.

A luxury car buyer now pays 45 per cent tax on a shifting margin of the retail price.

If that 45 per cent were simply dumped and replaced with a 10 per cent tax luxury cars would actually become proportionately cheaper than ordinary family cars.

According to the Government the new 25 per cent formula would ensure luxury cars drop in price by the same margin as ordinary cars.

3 GREAT OFFERS

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TAX: THE NEW DEAL



LOW INCOME SINGLE

Charmaine Arkley, 27
Lives Normanhurst, sales assistant and actor

NOW		WITH GST	
Income p/a	\$20,000-\$25,000	Income	\$20,000-\$25,000
Tax p/a	\$3062	Tax	\$2523
Rent (lives at home)	nil	Rent	nil
Monthly bills	nil	Monthly bills	nil
Groceries	nil	Groceries	nil
Education per week (acting classes)	\$100	Education	\$98
Entertainment per week	\$100-\$150	Entertainment	\$103-\$155
Car expenses per week	\$100	Car expenses	\$107

GST BOTTOM LINE \$222.56 better off p/a



SINGLE PARENT

Leonie Snowden, 40, and sons Josh, 6, and Sam, 4
Lives Ashfield, nurse's consultant

NOW		WITH GST	
Income p/a	\$50,000	Income	\$50,000
Tax p/a	\$15,000	Tax	\$10,950
Mortgage per month	\$850	Mortgage	\$850
Household bills per month	\$226	Household bills	\$245
Groceries per week	\$100	Groceries	\$105
Child care per month	\$850	Child care	\$840
Entertainment per week	nil	Entertainment	nil
Car per week	\$54	Car	\$57

GST BOTTOM LINE \$3142 better off p/a



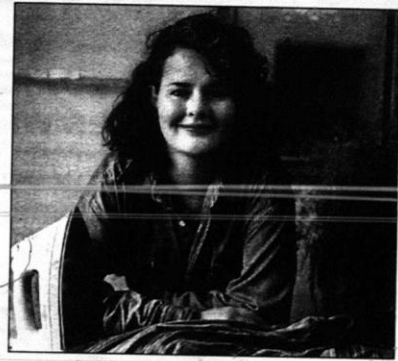
MIDDLE INCOME FAMILY

Petrina, 36, and David Eldridge, 38, and children Jai, 17, and Tara, 15,
plus two dependents Breon, 17, and Samantha, 15 (not pictured)
Live Gympie, own a road line painting business

NOW		WITH GST	
Income p/a	\$75,000	Income	\$75,000
Tax p/a	\$19,728	Tax	\$14,417
Mortgage per month	\$800	Mortgage	\$800
Household bills per month	\$310	Household bills	\$336
Groceries per week	\$160	Groceries	\$168
Entertainment per week	\$100	Entertainment	\$103
Car per week	\$125	Car	\$133

GST BOTTOM LINE \$4280.64 better off p/a

Better off on bottom line



MIDDLE INCOME SINGLE

Karen Gifford, 33
Lives Naremburn,
Owns Chaos Solutions,
errand and cleaning company

NOW		WITH GST	
Income p/a	\$35,000	Income	\$35,000
Tax p/a	\$7,900	Tax	\$7385
Rent per month	\$135	Rent	\$135
Bills per month	\$168	Bills	\$177
Groceries per week	\$60	Groceries	\$62
Entertainment/week	\$200	Entertainment	\$205
Car per week	\$60	Car	\$64

GST BOTTOM LINE ... \$866.32 better off p/a

PERHAPS the most anticipated component of yesterday's tax package was the new income tax structure.

With taxes levied on goods and services the average Australian wants to know what the trade off will be.

Just how are you and your family affected by this package?

EMMA BLAKE profiles the balance sheets of a cross section of typical taxpayers.

(Post-GST figures based on Treasury Department calculations and estimated price movements.)



LOW INCOME FAMILY

*Jan, 48 and Wayne Myers, 45, and children Kristylee, 14, Lisa, 16
Live Macquarie Fields.*

Wayne is a casual kitchen hand

NOW		WITH GST	
Income p/a	\$24,904	Income	\$24,904
Tax p/a	\$4510	Tax	\$3679
Rent per fortnight	\$276	Rent	\$276
Electricity per month	\$50	Electricity	\$53
Gas per month	\$34	Gas	\$36
Telephone per month	\$50	Telephone	\$53
Groceries/week	\$75-\$150	Groceries	\$80-\$158
Entertainment	No	Entertainment	No
Public transport	\$20-\$25	Public transport	\$22-\$28
GST BOTTOM LINE ... \$855.92 better off p/a			



SELF FUNDED RETIREE

*Ben and Barbara Mohide, both 65
Live Wyong*

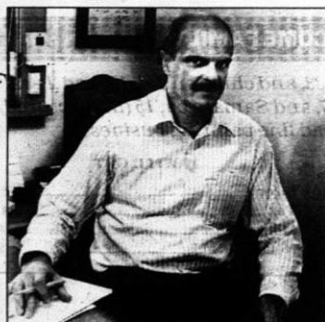
NOW		WITH GST	
Income p/a	\$30,000-\$35,000	Income	\$35,000
Tax p/a	\$5000	Tax	\$3728
Mortgage	own house	Mortgage	own house
Bills per month (incl. rates, insurance etc)	\$1585	Bills	\$1700
Groceries per week	\$100	Groceries	\$105
Entertainment per week	\$10	Entertainment	\$11
Car per week	\$112	Car	\$120
Other (incl. health insurance etc) per year	\$6600	Other	\$6400
GST BOTTOM LINE ... \$1028.04 better off p/a			



HIGH INCOME FAMILY

*The Abrams — Gerard, 40, and Rosanna, 39, and seven children
Live Cherrybrook; accountants*

NOW		WITH GST	
Income p/a	\$120,000	Income	\$120,000
Tax p/a	\$44,000	Tax	\$36,026
Education per year	\$19,000	Education	\$18,500
Clothing, lessons etc per year	\$5000	Clothing, lessons etc	\$5350
Mortgage per month	\$1583	Mortgage	\$1583
Household bills per month	\$460	Household bills	\$500
Groceries per week	\$280	Groceries	\$295
Car per week	\$230	Car	\$242
GST BOTTOM LINE ... \$4495 better off p/a			



HIGH INCOME SINGLE

*Glenn DuBois, 40
Lives Balmain, accountant*

NOW		WITH GST	
Income p/a	\$50,000 plus	Income	\$50,000
Tax p/a	\$15,000	Tax	\$12,097
Mortgage per month	\$1200	Mortgage	\$1200
Household bills per week	\$150	Household bills	\$162
Groceries per week	\$150	Groceries	\$158
Entertainment per week	\$150	Entertainment	\$154
Car per week	\$50	Car	\$53
GST BOTTOM LINE ... \$2059.20 better off p/a			

TAX: THE NEW DEAL

WELFARE PAYMENTS

(Fortnightly rates)

AGE PENSION

	NOW*	NEW**
Single	\$354.60	\$368.78
Couples	\$295.80	\$307.63

NEWSTART

Single 21 or over no children.....	\$321.50	\$334.36
Single 21 or over with children	\$347.80	\$361.71
Single over 60	\$347.80	\$361.71
Partnered	\$290.10	\$301.70

YOUTH ALLOWANCE

16-17 at home	\$145.40	\$151.21
Single 18 or over at home	\$174.80	\$181.79
Single 16 or over alone	\$265.50	\$276.12
Partnered no kids	\$265.50	\$276.12
Partnered with kids	\$291.60	\$303.26
Single with kids	\$347.80	\$361.71

PARENTING PAYMENT

Sole parent..... (up to)	\$345.60	\$368.78
Partnered	\$290.10	\$301.70
Basic	\$65.10	\$67.70

PARTNER ALLOWANCE

\$290.10 \$301.70

SICKNESS ALLOWANCE

See Newstart rates

SPECIAL BENEFIT

See Newstart rates

CARER PAYMENT

See age pension

WIFE PENSION

See age pension

WIDOW ALLOWANCE

See Newstart

MATURE AGE ALLOWANCE

See age pension

DISABILITY SUPPORT PENSION

Single under 18 at home	\$220.50	\$229.32
Independent	\$310.10	\$322.50
Single 18-20 at home	\$249.90	\$259.89
Single 18-20 independent	\$340.60	\$354.22
Member of couple under 18	\$295.80	\$307.63
Member of couple 19-20	\$295.80	\$307.63

MATERNITY ALLOWANCE

OLD: \$750 plus \$200 immunisation allowance
NEW: \$780 plus \$208 immunisation allowance

* NOW represents current benefits.

** NEW represents benefits under Coalition package

Pensions and welfare up 4pc

By SUE DUNLEVY
Political Reporter

PENSIONS and welfare payments will increase by 4 per cent under the tax reform plan — an increase the Government says will more than make up for the effects of a GST.

In addition, aged people with savings will receive a one-off, tax-free payment of up to \$1000 while self-funded retirees will be eligible for an additional bonus of up to \$2000.

The savings bonus is intended to compensate for the loss in spending power of their savings caused by the GST.

Pensions will be increased by up to \$11.83 a fortnight for couples and \$4.18 for singles in the first year to compensate for the estimated 1.9 per cent increase in the cost of living caused by the GST. Single pensioners will receive an extra tax rebate of \$250 a year, while couples will receive \$350.



PENSION

This will allow a single pensioner to earn \$14,500 a year before paying tax — up from \$13,000 now.

The Government said that would result in 70,000 additional part-pensioners and self-funded retirees paying no income tax, and would provide an extra tax cut to 330,000 older Australians.

Pensioners and retired people over 60 will receive a savings bonus of up to \$1000 if their annual income is less than \$25,000 and \$500 if their income falls between \$25,000 and \$30,000. Those who earn an

income of more than \$30,000 will receive nothing.

Self-funded retirees will receive an additional one-off \$2000 savings bonus if their annual income is less than \$25,000, falling to \$1000 if their income is between \$25,000 and \$30,000. The savings bonus will be paid at the rate of \$1 for every \$1 of savings.

It will not apply to people who retire after July 1, 2000 or those under 60 who have already retired by that date.

This will impact harshly on those unemployed over 55 who are now forced to use their superannuation before they can claim the dole.

To compensate all welfare beneficiaries, the Government will increase by 2.5 per cent the amount pensioners and welfare beneficiaries can earn before they begin to lose part of their payment.

For example a single pensioner will be able to earn

\$102.50 per fortnight before losing part of their pension, up \$2.50. Unemployed people will be able to earn \$61.50 a week before they lose any benefit — an extra \$1.50 a week.

The rate at which the Government withdraws the pension also will be eased from 50 cents in the dollar to 40 cents in the dollar. This will enable all \$45,000 part-rate pensioners to keep an extra 10 cents of the pension for every dollar of income they receive over \$102.50. It also will mean that some self-funded retirees on modest incomes also could become eligible for a part-rate pension.

Retirees will be able to earn up to \$28,850 in 2000 before losing the right to a part-pension. For couples the cut will increase to \$48,330.

Retirees on low tax rates will also benefit from a change to the delivery of imputation tax credits on their dividend and share income.

Increases for the aged

Weekly cash gain from reform after the GST and inflation effect

Private income	Pensioners		Self-funded retirees (a)	
	Single \$ gain	Couples* \$ gain	Single \$ gain	Couples** \$ gain
\$0	2.89	4.81	0.00	0.00
\$5000	9.43	6.17	3.00	7.51
\$10,000	19.05	23.48	1.21	5.94
\$15,000	25.00	27.73	8.01	4.21
\$20,000	25.06	36.51	9.70	2.42
\$25,000	24.84	45.68	7.50	16.24
\$30,000	na	53.14	7.78	18.06
\$35,000	na	64.57	10.46	19.76
\$40,000	na	50.42	16.66	18.16
\$45,000	na	23.03	28.13	13.59
\$50,000	na	na	39.60	15.00
\$55,000	na	na	45.39	15.28
\$60,000	na	na	51.18	15.56
\$65,000	na	na	56.97	18.24
\$70,000	na	na	62.76	20.92
\$75,000	na	na	68.55	23.60
\$80,000	na	na	67.62	33.31
\$90,000	na	na	65.78	56.26
\$100,000	na	na	63.93	79.20
\$125,000	na	na	59.31	108.15
\$150,000	na	na	54.69	137.09

* Dual income couple, assumes earning split 50%-50%

(a) Gains for self-funded retirees will be larger to the extent they benefit from refundable imputation credits and the new private health insurance tax rebate/benefit.

Schooling fees will escape increase

FAMILIES with school-age children will not pay a GST on the cost of tuition but the price of uniforms, shoes, textbooks and bus tickets will rise.

Even the tuck-shop will be affected. Tax will not be added to fees for pre-school, primary, secondary school or to almost any tertiary institution.

Tuition costs at TAFE colleges, universities and other recognised institutions that lead to a degree or diploma will all be excluded from a GST.

But courses not leading to a recognised degree, diploma or certificate like business training courses will be taxed.

For rural families sending children to boarding school, the cost of accommodation will be GST free.

But the wide-ranging nature of the new



EDUCATION

tax means the cost of providing food in a boarding school will attract GST.

Uniforms and school shoes are expected to jump in price by around 6 per cent.

Bus tickets will also rise by an estimated 2.6 per cent.

But items such as library books and computers which are lent to students

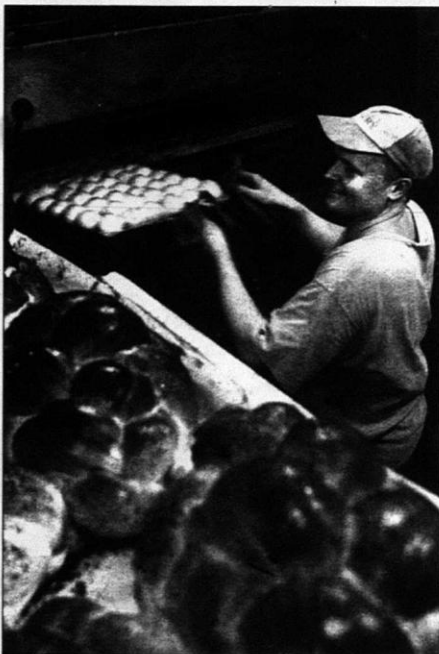
free of charge will not attract tax.

The term "GST free" means that the schools will be allowed claim back the tax paid on services they buy in order to run the institution.

For example, if the school or university buys books or computers which are subject to the 10 per cent GST, every month the institution can claim the cost back through the Tax Office.

Treasury experts claimed yesterday, technically, fees should fall by 0.3 per cent although they stressed the cost of an additional administrative burden was not included in this assessment.

The Government has also increased the youth allowance payments by 4 per cent to compensate students for the overall increase in costs.



Darren Tobias at work in Brookvale

SMALL BUSINESSMAN

BAKER Darren Tobias, 30, is pleased he will not have to come up with the \$10,500 a year he now pays in provisional tax under the proposed new scheme, but says the GST will add to his bookkeeping load.

Mr Tobias owns Tobias Breads in Brookvale where he employs six people, receives rebates on the cost of his equipment and does not have to pay tax on his raw ingredients.

Under the proposed system, with a business turnover of \$300,000 a year, he will have to pay GST on all goods and services but will receive a rebate on these once he sells

his breads on to his retail clients for 10 per cent extra.

But this will entail completing a tax form four times a year, which he thinks will take up more of his limited time.

"I often work 150 hours a week, and I'd say for every two hours spent on the job, there is around 30 minutes of paperwork," he said.

"I think" the level of bookkeeping is often what turns people off running a small business."

Originally from the UK where he experienced that country's VAT he believes a sales tax is a fairer system and will help break down the cash economy.

\$500m to help with the red tape

By MICHAEL MCKINNON

AUSTRALIA'S 900,000 small businesses will pay tax in a completely different way after July 1, 2000.

Gone will be wholesale sales tax and the provisional tax and prescribed payments systems.

In their place will be a new GST and "pay as you go" rather than pre-paid arrangements. Small businesses will also benefit from a further extension of capital gains tax rollover relief, retirement exemptions and the reduction in personal tax rates.

The Government also will spend up to \$500 million to help with GST start-up costs for small and medium-sized businesses concerned about being overcome by new paperwork.

Business will be consulted to ensure that the financial incentives are targeted and delivered in the most effective way.

The package, and in particular the abolition of provisional tax, was welcomed by small business organisations yesterday.

Mr Costello predicted that introducing the GST would lower business costs by more than \$10 billion each year from 2001-02, as well as improving business cash flows.

"This is because most businesses will collect GST on their sales as they occur, but will only have to pay GST to the tax office quarterly or monthly for businesses with annual sales of more than \$20 million," he said.

He said the new PAYG arrangements would provide significant benefits to all businesses by reducing the number of interactions with the Australian Tax Office.

The GST would ensure businesses no longer paid sales tax on their business costs.

Companies in the GST system that have less than \$8000 income tax payable will be allowed to defer all of their tax for 1999-00.



SMALL BUSINESS

Mr Costello said small business would also welcome the abolition of State Government taxes on bank transactions and most business-related stamp duties.

"In the decade to 1994-95, small business accounted for 1.1 million of the 1.2 million jobs created," he said.

Council of Small Business Organisations of Australia spokesman Rob Bastian said small business would be delighted by the depth and breadth of the reform package.

"I urge small business sceptics about the GST component to breathe deeply and look again," he said. "The removal of provisional tax alone should give any sceptics pause to think."

But Mr Bastian warned that the major benefit for small family companies would prove to be the generous changes in income tax rates which they applied to themselves as employees of their companies.

Australia's Small Business Association spokesman Peter Siekmann said the association remained in favour of a GST.

"People shouldn't look at the small bits and pieces but at the total Australian picture," Mr Siekmann said. "A GST will make this country more competitive and this package will be good for the country."

The Government also announced a crackdown on people who use trusts to avoid tax, including moves to stop people using foreign tax credits to minimise Australian tax.

Promises to big business

BIG business was wooed with promises of multi-billion dollar tax cuts as the Government sought yesterday to lock in support for its tax package.

However, in return for offering a cut in the corporate tax rate from 36 per cent to 30 per cent, the Government is hoping to cut business tax deduction in areas such as R&D and depreciation.

The Government expects to raise about \$19.9 billion in company tax in 1998/99, so a 6 per cent cut would cost about \$3.2 billion. However, more stringent tax collection is expected to add \$2.35 billion to government coffers by 2000-01.

The business sector also was lured with the prospect of further capital gains tax relief.

The tax reform package was expected to cut business costs by more than 3 per cent and slice \$4.5 billion off exporter costs.

Small investors win some, lose some

By DREW GIBSON

THE proposed changes to the taxation system are a mixed bag for small investors.

Under the proposals, share investors will save on stamp duty costs but pay higher brokerage charges.

The Government said the State-levied stamp duty on share transactions, currently at 0.15 per cent, would be abolished but brokerage costs would incur a 10 per cent GST.

On a \$5000 share transaction, for example, investors would save \$7.50 on stamp duty.

However, the average brokerage charge for a transaction of that size is 1.5 per cent, or \$75, brokerage would rise by \$7.50 to \$82.50, a neutral tax move.



But shareholders participating in increasingly popular shareholder loyalty programs will be worse off, with benefits over \$1000 attracting fringe benefits tax at 48.5 per cent.

For those who put their money in the bank, it was unclear yesterday whether they would be better off under the proposed changes.

While the despised \$2 billion a year FID and BAD taxes would be axed, banks will have to pay more than \$600 million in GST on inputs each year and will not be able to claim credits.

Deloitte Touche Tohmatsu partner Terry Rooney said banks may have to find a way to recover those costs, which could come in the form of higher fees and charges.

"If the banks are going to be net payers of GST, that is going to eat into their profits and they are going to have to recover those costs," he said.

However, the banks will benefit from changes to stamp duty and investment fees, which may account for the difference.

Mr Costello claimed the over-

all tax changes would save the financial services industry \$1.6 billion a year.

Elsewhere, life insurance investment policyholders will pay tax at their personal marginal tax rate, in place of the current raft of complicated tax rates.

Property investors also will save from the abolition of stamp duty on mortgages, but will have to pay GST on renovations to investment properties.

The Government also has axed its key savings rebate, which was introduced as a "major initiative" shortly after the 1996 federal election.

This will save \$2 billion a year, but denies investors up to \$25 a year in tax rebates on interest earned on savings.



F.A.Q.

Q What will the GST rate be?

A 10 per cent.

Q Will I have to pay a tax when I see a doctor?

A No, because medical services covered by Medicare like visiting the GP or specialist are GST-free. You will not have to pay tax when you have an ultrasound, X-Rays, anaesthetics or optometry. Visits to the dentist, hospital, chiropractor, physiotherapist, speech therapist, counsellor or podiatrist are also GST-free.

Q Will GST be incorporated in the price of a supermarket item or represented separately on the bill?

A The retailer has the choice to either include the GST in the bill or represent it separately. But consumers must be told when they are paying GST. Shoppers will see a sign in a shop saying GST included in all prices, or it will be marked separately on the price tag and/or shown on the final bill.

Q Should I race out and buy items to beat the GST-based price rise?

A The GST begins on July 1, 2000 and the Government anticipates a rise in demand just before the start-up date. Items which will increase in price include cigarettes, clothes, food and computers. But consumers should wait to make car purchases and "luxuries" like video recorders, stereos, radios and cameras because they will drop significantly in price after the GST is brought in.

Q Will houses be more expensive?

A Yes. A GST will raise the prices of new homes by 4.7 per cent. Existing home owners will see the value of their property rise, leading to general house price increases. Rents will go up by 2.3 per cent. A non-means-tested \$7000 lump-sum payment will be available for first home buyers after July 2000. But people purchasing more expensive first homes will receive less of the lump sum.

Q Will everyone be better off under the tax package?

A The Government says the typical family will be \$40 to \$50 a week better off because across-the-board tax cuts will compensate for the GST. But the calculations are based on predicted tax package impact on the Consumer Price Index of only 1.9 per cent. Low income earners, families with children, the unemployed and university students who spend most of their wages on consumption will all be paying more (an average of 4.4 per cent) for basic food items like meat, milk, bread and fruit and vegetables. Clothes and shoes are also subject to GST and will go up 6.8 per cent.

Q When do I get my income tax cut?

A From July 1, 2000.

Q Will middle and upper income single people benefit from this package or is it all directed at families and those on low and middle incomes?

A All singles earning more than \$20,000 and up to \$75,000 will enjoy tax cuts of between 4 and 13 per cent. But singles on middle to higher incomes don't benefit from any new social security payments. The Government estimates the total package with a GST is worth \$10 a week to a single earning \$35,000, \$28 a week to a single on \$45,000 and \$68 a week to a single on \$75,000. But singles are high consumers of takeaway and restaurant food, all of which will be up 6.7 per cent under a GST.

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0055 68202

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Calls cost 60c per minute. Mobbles/payphones extra. Broadband system

Tourism gets concessions

INTERNATIONAL airline tickets will be GST-free but domestic fares will attract a 10 per cent tax under the changes.

The Government rejected pleas that tourism be zero-rated along with other export-earning industries.

But the Government's package did offer some concessions to the industry, including provisions to allow domestic airline tickets bought overseas to be tax-free.

Bed taxes, which apply in NSW, would be abolished.

This would require agreement to be reached with the NSW Government and would be in place before the start of the 2000 Olympics.

But all goods and services consumed by tourists in Australia, such as meals and hotel accommodation, would be taxable in the normal manner.

In other measures, the Government announced it would allow expensive items bought in Australia to be GST-free when taken overseas.

The tax on items that cost more than \$300 would be refunded after the tourist left Australia.

Stamps, phone calls won't rise

THE price of a standard letter or local phone call would not rise as a result of the new tax system.

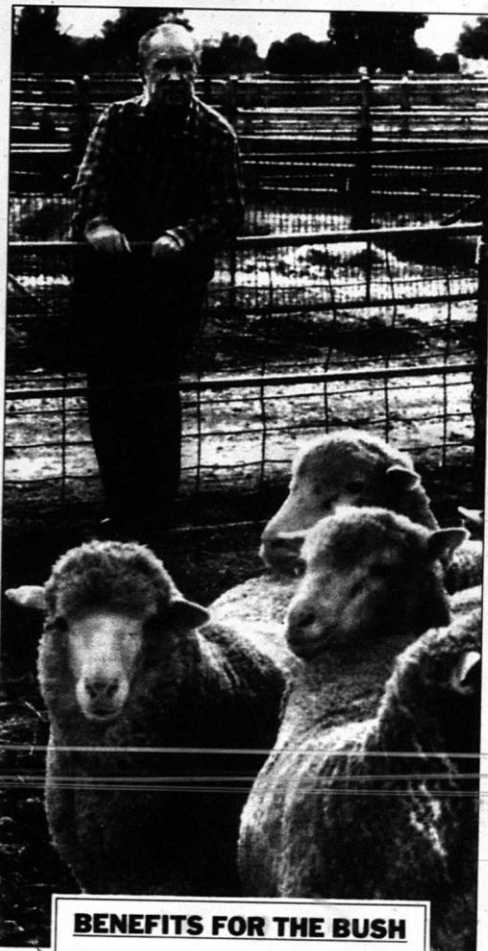
Australia Post would absorb the cost of the GST on the standard 45c stamp, but would gain from the reductions in costs arising from other tax changes estimated to reduce business costs by 4.9 per cent in the communications sector.

Business users of postal services would receive a 10 per cent reduction in their standard letter postal costs by claiming an input tax credit on the GST paid on the letter.

The price of untimed local calls would remain capped at 25c, including the GST, from July 2000.

The Government would continue to cap the price of a local call from a public pay phone at its current 40 cents, including the GST.

Business would also be able to claim the GST paid on local calls as an input tax credit, reducing local call costs by 10 per cent.



BENEFITS FOR THE BUSH

- Diesel fuel credit scheme reducing excise for off-road vehicles from 43 cents a litre to zero.
- Larger transport users will pay reduced diesel excise of 18 cents a litre.
- Capital Gains Tax benefits and other advantages.
- GST credits on everything they use.
- Benefits from lower personal tax rates and increased welfare payments.

Farmers to reap rebate harvest

By IAN McPHERAN

FARMERS are big winners able to claim a GST rebate on virtually everything they use and a big boost in the form of lower fuel costs.

All rural inputs will be exempt from GST allowing farmers to claim tax credits for anything from boots to tractors, feed and seed.

"A system of GST tax credits will ensure that farmers and business operators will get back any GST paid for anything used in the production of goods for export and domestic consumption," the tax reform document says. Farmers will also benefit from cuts to personal income tax and increased social security benefits.

There will be big savings on fuel. Diesel prices will fall by up to 43c a litre and petrol prices for farmers and rural business will drop 7c a litre.

The biggest benefit to rural Australia will be a drop in transport costs and a saving of about \$2500-a-year for the average farm.

The current diesel fuel rebate scheme will be replaced by a diesel fuel credit arrangement.

Tax applied to fuel used to carry farm produce to market and to deliver farm inputs will fall from 43c a litre to 18c a litre.

Diesel used on the farm itself will drop by the full 43c a litre.

Farmers and small businesses in the bush will also benefit from changes to capital gains tax.

Small businesses will benefit from more generous CGT roll-over relief and retirement exemption provisions.

The changes, which will apply from



today, mean farmers operating in partnerships will be able to gain the benefit on land and buildings used in the farm business.

According to Treasury estimates released yesterday, the cost side of the agriculture ledger will fall by 2.8 per cent while consumer prices for farm goods will rise by 6.5 per cent including a 4.4 per cent rise in the price of food.

The mining sector will have its costs trimmed by 4.4 per cent.

The Government estimates that without wholesale sales tax and cuts to diesel excise the costs of road transport will fall by 8.7 per cent.

But the figures also show that non-rural consumers of transport services will pay an extra 1.8 per cent.

Farmers will benefit from the estimated 8.3 per cent drop in motor vehicle prices but unlike the rest of the community will not have to pay the extra 5.2 per cent for electricity, gas and water or the additional 4.7 per cent in communication costs.

In addition to the diesel boon, farmers and other rural businesses will be eligible for a GST credit for tax paid on petrol which will reduce the cost by about 7c a litre.

Everyone's a winner — but some win more

By TONY MULVENEY, STEPHEN FROST and LES SZEKELY

ACCORDING to the figures produced by the Government every individual will be better off under its proposed tax and social security regimen.

However, some people and businesses will gain more than others.

At a personal level spenders will pay more GST compared with savers. Both groups will benefit equally from the income tax cuts and social security improvements but the offsetting GST costs will be greater for the spender.

A cation of full-strength beer is projected to rise by 50 cents.

Tobacco products will increase by an average of 13.3 per cent.

Smokers, drinkers, snappy dressers and those who eat out will be hardest hit.

Restructuring of the personal

tax rate scales and social security system will produce significant savings for everyone currently paying tax.

The greatest dollar benefits will be enjoyed by single income families earning up to \$75,000 and double income families earning up to \$150,000.

The package does not cure the bias in favour of double income families with each individual able to earn up to \$75,000 before reaching the 47 per cent tax bracket.

A new private health insurance rebate of 30 per cent will apply from January 1, 1999, without any means test.

Obviously this will most benefit those who can afford the most private health cover.

The Government has extended the Family Tax Initiative to increase the tax-free thresholds for families with dependants.

An easing in the Family Allow-

ance income test will reduce the disincentives for low and middle income families to work.

The cost of newly constructed homes will rise by about 5 per cent under the GST.

However, all first home buyers will receive a \$7000 lump-sum payment that will not be means tested. This applies to both old and new home purchases.

Businesses dealing in consumer goods or services which were sales tax free or taxed at 12 per cent will be losers.

Their outputs will become relatively more expensive. For example, restaurants will be hard hit.

Businesses dealing in consumer goods currently subject to sales tax at 22 per cent or 32 per cent (for example cosmetics, jewellery and television sets) will generally be better off.

The sale price of their products will become relatively cheaper.

Among the biggest winners will be exporters who will be GST free. This means they will not be required to charge GST on export sales but will still be entitled to a GST credit, or refund, for GST paid on purchases.

All businesses should be better off because they will benefit from a decrease in costs due to a general reduction in indirect taxes.

The GST which replaces these often hidden taxes will be claimable as a credit against GST and other taxes.

Trusts will be taxed as companies under the reform package.

This will have a significant detrimental impact to family businesses currently owned by a trust.

The trust structure is often used to avoid the double taxation which can occur where businesses are owned by companies.

This advantage will be lost once the trusts are effectively treated as a company for tax purposes.

The Government will, however, permit trusts to continue to enjoy the 50 per cent capital gains tax exemption on the sale of goodwill and also certain farming concessions.

Large groups of related trusts and/or companies may benefit from the move towards lodging a single tax return for the group.

The reform package does not, however, provide further details concerning this proposal but instead promises "consultation" as to whether—and how—it should be implemented.

Shareholders receiving franked dividends will now be entitled to a refund if the franked amount is greater than the shareholder's personal tax liability.

Tony Mulveney and Stephen Frost are tax partners at KPMG. Les Szekely is tax partner at Horwath, Sydney.