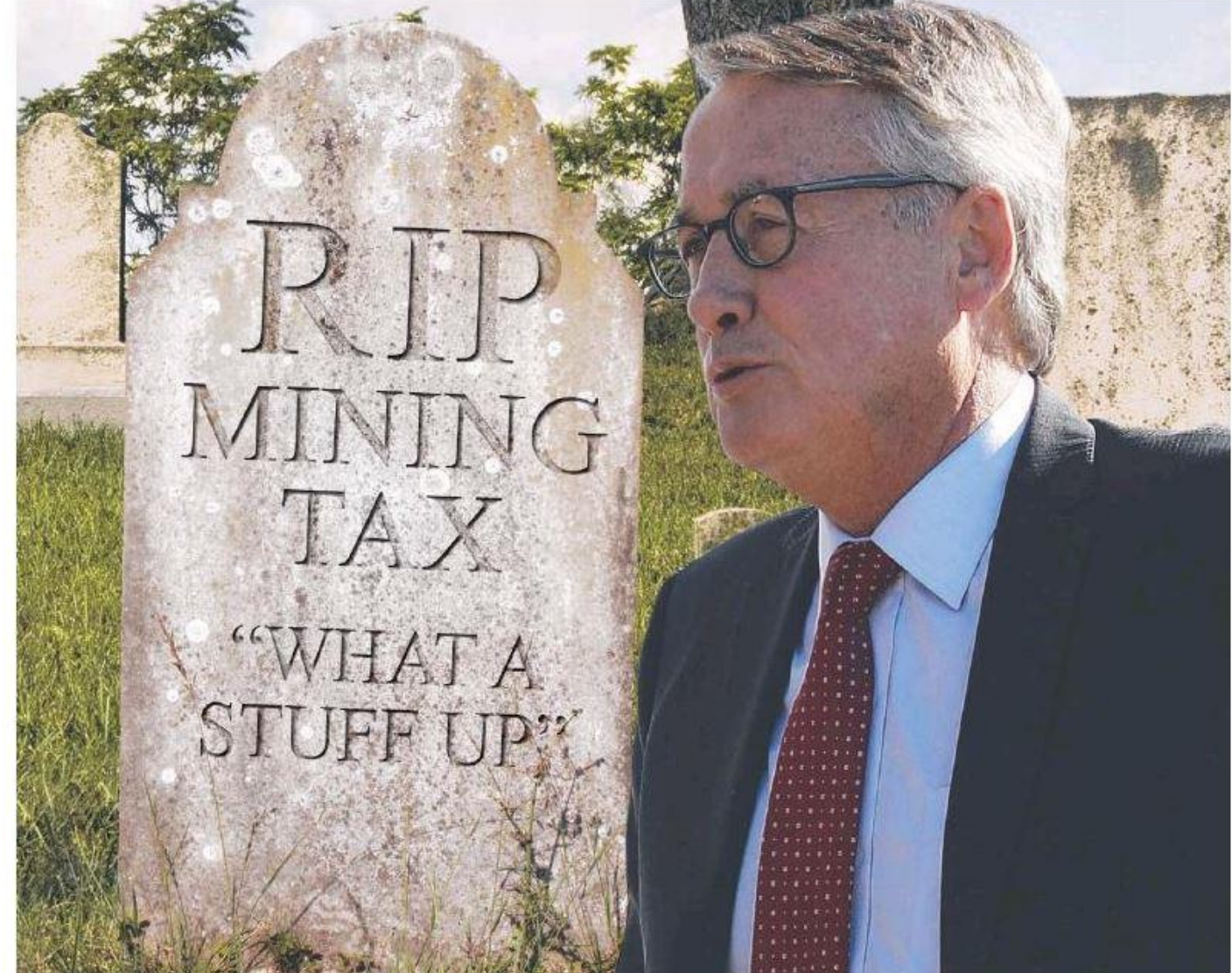


We can't afford to forget this farce



WHEN the mining tax is finally repealed and buried, the Government should erect a tombstone to commemorate it somewhere in the gracious gardens around Parliament House.

Future generations should never forget this folly. A tombstone could warn future lawmakers what happens when tax laws are misconceived, deviously designed and incompetently implemented.

There are some areas of government where it doesn't matter whether a Minister is competent or not. The tax system is not one of them. Tax laws raise the revenue that the rest of Government depends on. Tax laws take the property of citizens and companies, by force of law, and hand it over to the Government.

As a result the laws will be scrutinised and challenged. Weaknesses and loopholes will be exploited. In this area, above all else, the Government needs a competent Minister who is capable of designing laws that work.

When the last government, and



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its Treasurer Wayne Swan, announced their first version of the mining tax they said it would raise \$12 billion in its first two years. After negotiating changes with the industry they revised that down to \$10.5 billion. Do you know how much it actually raised? It raised 1/30th of that. This year's Budget reports that if it were to stay in place another year, as legislated by the Labor and the Greens, it would raise 2 per cent of the amount originally forecast. That is \$2 out of every \$100 forecast.

What would you think if your child came home from school with a report that showed they had got two out of 100 in a recent test?

Perhaps you could buck them up. How about this: "With results like that you could grow up and be a Treasurer just like Wayne Swan".

It's kind of funny until you remember this is a country we are talking about. And it's even worse when you remember that Swan spent all the money he expected to raise. He didn't just spend what was actually raised. No, he spent 30 times that amount. Now the Senate is arguing about how much of that will stay after it abolishes the tax.

I'd like that tombstone to go up pretty quickly because the Abbott Government is going to set up a new inquiry to look at reforming the tax system. The inquiry will draw tax policy for the Government to put to the next election. And if you think balancing a Budget is hard, just wait until you start down the path of major tax reform!

The first thing that went wrong with Labor's tax review was the motivation for setting it up. Labor, in particular Swan, had only one motivation in mind: they wanted more money. Swan thought he could win votes by taking money from "rich miners" to spend on swinging voters.

He had all sorts of polls to show the political benefits. He had no

interest in simplifying tax or making the system more efficient.

I hope the Abbott Government sets up its tax review with the object of reducing the overall tax burden and making the system more efficient so businesses can grow and the economy can grow.

The country can raise revenue at lower tax rates if there is a bigger economy.

THE next thing to decide is who will lead the inquiry.

Labor chose the Secretary of the Treasury, Dr Ken Henry, who has a great deal of experience in tax policy. But he hasn't worked in the private sector and never has been responsible for complying with complex business taxation laws. Labor appointed no one who had genuine business experience to help him on the inquiry panel.

As a result the inquiry came up with a mining tax that might have worked in a theoretical world, but not in any world that any miner currently knows or has worked in.

The next inquiry should be led by someone with real world tax experience. The current Tax

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Commissioner, Chris Jordan, has lots of private sector experience and could do it. There should also be some real business people on the inquiry and not just chief executives who tend to hand off tax matters to others to manage on their behalf.

The last experiment shows the dangers of failing to consult. Swan had no real idea what he was proposing and went to great lengths to keep his proposal away from anyone who did. He promised the miners he would consult and then ambushed them by announcing the law before they had seen it. He deliberately kept Martin Ferguson — the minister responsible for mining — out of the loop so he could not gather any feedback or suggest improvements. The law was designed deviously. Abbott, Joe Hockey and the

Coalition must have consultation with people in industry who can tell them how their proposals will work in the real world. There must be wide consultation.

Most importantly, they must assemble a competent team to implement any major tax proposal. That is the hardest step. I know from my own experience that designing and legislating the GST was hard, but implementing it was another thing altogether.

The reason the last government made no progress on tax is that this area requires real competence. To date, the current Government has focused on getting rid of its predecessor's mistakes. But soon the game is going to swing. The public is going to want to know the positive proposals the Government intends to put in place.

So it doesn't just have to bury the failures of the past, it has to remember them. A tombstone to past failure should remind them, and others, it can be a graveyard if it is not handled properly.

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