

Backbench cranks up pressure on Turnbull, Morrison

Dennis Shanahan, The Australian, February 22, 2016

Malcolm Turnbull's authority on delivering promised economic leadership and Scott Morrison's ability to introduce tax reforms are under extreme pressure from Coalition backbenchers emboldened by the retreat from raising the GST.

Fuelled by polling figures MPs say show the opposition's negative gearing policy is hurting Labor, Coalition backbenchers are arguing that even modest changes to negative gearing "excesses", which the Treasurer wants, should be dumped.

They want a straight political fight: Labor's changes to negative gearing against none from the Coalition. They are pushing for no changes at all to tax breaks for losses on investments for residential property so there is no confusion in voters' minds about the choice on negative gearing at the election.

Labor has proposed a radical policy of banning tax breaks for all new residential property investment from next year unless the housing is new. The ALP also proposes to cut in half a capital gains tax discount of 50 per cent on property investment sales.

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On Friday, the Prime Minister continued to talk about changes to negative gearing and Morrison explicitly said "excesses" in both negative gearing and superannuation could be cut to pay for personal income tax cuts. But after Turnbull and Morrison finally rejected last week the option of raising the GST to 15 per cent, relieved backbenchers who feared losing their seats immediately switched to blocking changes on negative gearing.

The Prime Minister and Treasurer took a strategic policy and political decision after removing Tony Abbott and Joe Hockey to consider raising the GST and reforms on negative gearing and superannuation. Backbenchers were afraid of the GST rise and there was some undermining of Morrison's attempts to keep the option "alive". Now Morrison is facing further backbench complaints about his handling of the GST retreat and lack of any reform option to fill the vacuum.

Turnbull's extraordinary intervention late last Friday, holding a surprise press conference and launching an Abbott-style attack on Bill Shorten and Labor's negative gearing proposal, suggests the PM is closer to the backbench thinking than Morrison.

But Labor is turning the tax debate on its head, accusing Turnbull of failing to deliver the "economic leadership" he promised and being "afraid of the budget". What's more, Turnbull is being accused of dumping policy and just running a scare campaign against Labor — something he specifically promised not to do as leader.

The strategic decision to remove Abbott's opposition to changing the GST, negative gearing or superannuation had huge policy and political ramifications and required plans for a strategic withdrawal.

The danger now is that the retreats are being driven by panic and look more like a rout.