

Malcolm Turnbull's 'moment of clarity' following tax plan failure

The Sun-Herald, April 3, 2016, Leesha McKenny, Urban Affairs Reporter

The Prime Minister says the states cannot any longer credibly ask the federal government to raise taxes for them if they are not prepared to raise taxes themselves.

Tax failure 'a moment of clarity': PM

Malcolm Turnbull says the states' rejection of his income tax plan shows a weak commitment to reform. Vision courtesy ABC News 24.

The Prime Minister has hit back at the rejection of his income tax plan, painting its defeat as a "moment of clarity" that revealed the states lacked the stomach for reform and must live within their means.

Malcolm Turnbull on Saturday brushed off suggestions that the failure of what he hailed as only days ago as "the most fundamental reform to the federation in generations" marked a major humiliation for his government.

He instead recast the outcome of this week's Council of Australian Governments meeting as showing up the inconsistencies of the states, which had appealed to the federal government to give them the proceeds of increases to the GST and income tax.

Prime Minister Malcolm Turnbull and Defence Minister Marise Payne at Garden Island in Sydney. Photo: Dominic Lorrimer

"The important thing is that what we have seen is the states making it very clear that they are not prepared to contemplate being responsible for levying a share of income tax," Mr Turnbull said.

"What that means is they cannot any longer credibly ask the federal government to raise taxes for them to spend if they were not prepared to raise those taxes themselves when they were given the opportunity."

The proposal, branded "double taxation" by Opposition leader Bill Shorten, would have seen a reduction of the federal government's income tax collection in favour of allowing the states and territories to collect the remainder to fund services like hospitals and schools.

Leaders instead agreed to consider a counter-proposal that would give states direct access to a fixed percentage of a growing income tax pool, replacing tied and special-purpose grants from the Commonwealth.

Mr Turnbull said the defeat of his government's plan was a "wake up call" for the states, which had made it clear that they did not want to put up taxes and "neither do we".

"So this has been a very important moment of clarity, and what it says to us is that we must live within our means," he said.

Friday's meeting otherwise ended with state and territory leaders accepting an extra \$2.9 billion for health and hospital spending to 2020.

Mr Turnbull's comments about the states and territories were echoed in Melbourne by his Health Minister Sussan Ley, who denied the proposal's defeat was an embarrassment.

"They're quick to ask the Commonwealth to do their dirty work," Ms Ley told reporters in Melbourne on Saturday.

"We should never make an apology for having big ideas and the courage to make a difference."

Mr Shorten, who appeared at a shipbuilders' rally in Adelaide on Saturday, branded the unsuccessful tax proposal a "humiliating farce".

"He doesn't even have the courage of his convictions," said Mr Shorten said.

Defence Minister Marise Payne, who appeared alongside Mr Turnbull in Sydney on Saturday following an inspection of the HMAS Canberra, separately lashed out at the opposition's shipbuilding record.

Labor had not placed a single order to build a ship in Australia during six years in government, she said.

"It is hypocritical in the extreme and they should be exposed for the absolute hypocrites that they are," Senator Payne said.

With AAP