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Treasurer

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BOWEN'S BIZARRE ECONOMIC LOGIC

In a display of bizarre economic logic, Shadow Treasurer Chris Bowen has said Labor's answer to a global economic downturn is \$200 billion of new taxes on households, families, businesses, tradies, homeowners, renters and retirees.

This has led economic commentators to describe Mr Bowen as having a "brain fade", making a "deliberate statement of inane and destructive policy intent" and showing "embarrassing incompetence".

Mr Bowen has repeatedly ignored warnings that Labor's new taxes are misguided, ill-conceived and ill-timed, with reports that "most ALP people know that Chris has made a mistake".

Far from being a "buffer" against the global economic outlook, Labor's taxes would do the exact opposite, damaging the economy. In the words of the experts:

- **Housing:** Labor's plans to abolish capital gains as we know it is already hitting the market, with leading property analyst Riskwise saying "we are already seeing the effect of these potential taxation changes, with accelerating price reductions." This could lead to a hard landing in the housing market, with international rating agency Standard & Poor's saying "our ratings could come under pressure if house prices fall sharply and increase risks to fiscal accounts, real economic growth and financial stability".
- **Capital gains:** Labor's plans to increase the capital gains tax by 50 per cent. The independent Centre for International Economics has estimated that the capital gains tax hike will lower GDP by \$3.7 billion a year and damage state balance sheets with reduced GST distribution and property tax collections by about \$1 billion a year, putting state governments under "severe pressure".
- **Retirees:** Labor's plans to scrap refundable franking credits would remove an important source of income for lower-income and especially retired Australians. Former OECD director, Professor Adrian Blundell-Wignall, has said Labor's tax would cause "economic damage" including a "cut into productive investment", more financial gaming and increased company debt, leaving the economy more exposed to shock. Far from a "buffer", it would not "achieve the hoped-for revenue gains."
- **Super:** Labor will put a series of additional taxes on superannuation. Bowen himself launched an enthusiastic defence of the superannuation concessions he now wants to take away, writing in his book *Hearts and Minds*: "They are justified because they avoid future payments of the age pension and they help boost our pool of savings, with all the benefits for the economy that this brings".
- **Income:** Labor will repeal the Coalition's income tax plan. Bowen's political mentor, Paul Keating, has slammed the tax hike as "too punitive a level where the state is confiscating almost half of people's income over \$180,000", recognising that "lower marginal tax rates will enhance our economic performance by better rewarding initiative".
- **Small business:** Labor will tax the distributions of discretionary trusts at a minimum 30 per cent tax rate, which has led the Council of Small Business (COSBOA) to say, "This is clearly just a case of the Labor Party going after hardworking small business owners because they are a soft target."
- **Energy:** Labor has a 50 per cent renewable energy target and a 45 per cent emissions reduction target, which the Business Council has said is "economy wrecking" and could "jeopardise Australia's future economic growth".

What the economy needs more than ever is lower taxes, strong growth and good economic management, which the Coalition is delivering and will continue to deliver.

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