Labor's stand on sales tax should be queried

*By JOHN HYDE**

THE Labor Party and Democrats rejected the Government's proposed 2½ per cent sales tax on books, newspapers, building materials, clothing, footwear and wrapping materials for food and medicine, arguing that to tax "the necessities of life" even at 2½ per cent was unreasonable because it was regressive.

Tariffs and import quotas are another means by which the Government compels consumers to pay higher prices than they otherwise would have to. They, like sales tax, are a tax on consumption.

The tax equivalent of tariffs and quotas amounted in total to some $6,250 million in 1977. That figure was half the amount raised by income tax, 3½ times the sum raised by sales tax, 2½ times the amount raised by excise and equivalent in magnitude to a consumption tax of 15 per cent on all manufactured goods.

Unlike sales tax, which in Australia falls more heavily on luxury goods, the tariff falls most heavily on the necessities of life. The very highest consumer taxes are paid on textiles, clothing, footwear and motor vehicles.

While the purchase of a car may conceivably be regarded as a discretionary expenditure, up to certain levels of expenditure shoes and shirts and bedding and some form of transport are not.

Consumer taxes imposed by tariffs are so much higher than the 2½ per cent which the Opposition parties found to be excessive and the goods taxed so much more clearly necessary, that one must ask whether in the name of consistency they should not feel obliged to object much more strongly to tariffs also.

Opponents of sales tax ought to contrast the following consumer tax rates imposed by import barriers with the proposed 2½ per cent of the sales tax: motor cars, 32 per cent; footwear: 62 per cent; clothing: 69 per cent; knitted goods: 52 per cent; tobacco: 25 per cent; furniture: 24 per cent.

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Is it that they don't understand consumer tax equivalents or is it that they saw more votes in the relatively minor but visible sales tax?

If we stretch a point a long way further than a reasonable person would wish to stretch it, we might argue that people can sleep without sheets, children can go without shoes, that travel can be avoided and shirts can be made to last a long time.

There are, however, taxed goods which are even less discretionary than these. Wheelchairs bear a customs tariff of 25 per cent of the landed cost which is to be reduced to 20 per cent next year.

This level of duty increases the price of all wheelchairs by about 13 per cent — that is, the consumer tax equivalent is about 13 per cent. I have been unable to find calculations of the relevant tax equivalents, but the tariff on spectacles is 25 per cent, on hypodermic syringes (as used in vast quantities by diabetics) 20 per cent, and on cardiac pacemakers 25 per cent.

Pacemakers are a revealing case study. The single manufacturer of pacemakers is Telectronics Pty Ltd. It exports 90 per cent of its production and so is apparently competitive on world markets; even so, the IAC recommended a 20 per cent duty.

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I don't see that any duty affecting only 10 per cent of production used in Australia could be of very much assistance to the company if the other 90 per cent were to lose its competitive edge in overseas markets; but it was none the less apparently recommended in the belief that things would get worse. The Government then granted not 20 per cent but 25 per cent duty.

This additional cost is mainly borne by the Australian hospital system. To the extent that a shortage of hospital funds restricts the use of pacemakers people must accept second best treatment by drugs.

Wheelchairs are also revealing. Some two years ago I received a letter from a constituent, a widow with a severely spastic child confined to a motorised wheelchair.

She objected that she was unable to import what she

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claimed was a better and cheaper wheelchair than was available in Australia without paying duty.

A routine correspondence with the relevant Minister got me nowhere.

He kept saying that there was a suitably equivalent chair made in Australia and that the Government supplied some of the family's wheelchair needs free; while I kept saying that that was not the point, which was that the lady in question was not a suitable target for a highly discriminatory tax, even though the child's disability was recognised in another way.

I question the values of a political system which responds to the special pleading of the book sellers against 2½ per cent tax but doesn't hear that of the disabled.

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