

## \$7bn savings next year

Samantha Maiden, Online political editor | *May 13, 2008*

**WAYNE Swan's razor gang has identified \$7 billion in savings next year alone.**

However, just a fraction of the cuts are from so-called Robin Hood measures to tighten eligibility for family tax benefits and the baby bonus.

Over the next four years, the combined changes to family tax benefits and the baby bonus will deliver just \$857 million and \$354 million respectively out of total savings of \$33 billion.

By comparison, slashing tax cuts for people earning more than \$180,000, in line with pre-election promises, delivers \$5.3 billion in savings over the next four years.

New taxes for crude oil condensate that will hit north-west shelf gas producers including Woodside Petroleum will deliver \$2.5 billion over the next four years.

Tax hikes for alcopops and other excisable beverages will also rake in an additional \$3.1 billion over four years. The Government also expects a crackdown on tax cheats will yield \$1.9 billion and the decision to tighten fringe benefit tax exemptions will boost the budget line by \$1.4 billion over four years.

Mr Swan told The Australian Online that the means tests change was the toughest decision in the first Labor budget in 13 years.

Under the change, a combined income test of \$150,000 will apply the baby bonus. But it will be judged on the estimated income of the family in the first six months when most women take maternity leave.

Eligibility for payments for single breadwinner families with a stay-at-home parent will also be tightened to \$150,000, a lower threshold than the \$240,000 cut off that Labor advertised during the election campaign.

“Why \$150,000? Because if you are trying to buy a home in Sydney, the median price, you probably need a combined income of \$120,000 to get in the market. So you look for a rationale. There's great divergence around the income in houses,” Mr Swan told The Australian.

“If you're in western Sydney, two cars, paying off a mortgage, eight interest rates ... you haven't got a lot left.”

But Mr Swan was unrepentant at new measures to crack down on fringe benefits tax, declaring it “a rort” that business executives could buy a laptop for their kids through salary sacrifice and claim it was for work purposes, thus escaping fringe benefits tax.

“Let's be frank about this: rorts are opening up in the FTB system,” he said.

The Government will also increase taxes on luxury vehicles, clawing \$555 million in extra taxes over four years. An increase to the passenger movement charge will also hit travellers for an additional \$459 million.

“If I was soaking the rich I wouldn't have aspirational tax goals. It's not about soaking the rich.

“What we said was that we would means test it. When we got in we had a look at all the elements of the baby bonus. We thought ‘Well, it makes a lot of sense to go to \$150,000 (as a threshold)’.

“The Government does not believe the hard-earned tax dollars are best spent on cash payments to the wealthiest Australians. It is simply not defensible.”

Cuts to the public service will deliver 1,000 job losses - mostly through attrition. The efficiency dividend through cuts to public sector operating expenses will yield \$1.7 billion in savings.