

MEDIA RELEASE

24 November 2013

Time for tough choices to balance government budgets

A reform package could add about \$37 billion a year to Australian government budgets and help to tackle Australia's growing budget crisis, a new Grattan Institute report finds.

The package would broaden the GST, raise the age of access to superannuation and the Age Pension and require wealthy retirees to draw down some of the value of their owner-occupied dwellings before accessing the Age Pension.

It would also limit tax concessions on superannuation that allow people over 60 to pay substantially less income tax than younger people with similar incomes.

The package is one option for budget repair presented in [Balancing budgets: tough choices we need](#), a report that assesses options Australian governments have to address potential deficits of \$60 billion a year – or 4 per cent of GDP – by 2023.

The budget squeeze comes from rising health costs, likely pressure on welfare spending, an inevitable fall in the terms of trade, and the propensity of governments to introduce big-ticket initiatives such as paid parental leave, new school funding and the National Disability Insurance Scheme.

“Governments cannot put off tough choices indefinitely without imposing heavy costs on the next generation,” says Grattan CEO John Daley.

“We need leaders who make the case publicly, design a package of measures that share the burden of reform fairly across the community, and then make the tough choices to raise taxes and cut expenditure early in their term of government.”

The report examines 20 reforms that would contribute \$2 billion a year or more to government budgets.

It favours reforms that are big enough to make a difference, do not produce unacceptable economic and social side-effects, and do not make life harder for those who are worst off.

The report also finds that some areas of potential reform – including cuts to the public service and so-called middle-class welfare -- would make far less difference to government budgets than is commonly believed.

“None of these budget choices will be easy for politicians, but making them is vital to Australia's long-term prosperity,” Mr Daley says.

For further enquiries: John Daley, CEO

M. +61 (0) 407 004 231 T. +61 (03) 8344 3637 E. john.daley@grattan.edu.au