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Senator Lyn Allison  
Leader of the Australian Democrats  
Parliament House  
CANBERRA ACT 2600

Dear ~~Senator Allison~~ *Lyn*

I refer to media coverage this morning with respect to the Government's tax reform package announced in the Budget.

As you are aware, Mr Beazley has indicated that the Labor Party will oppose the Government's legislation to implement the Budget tax cuts which is scheduled for debate in the Senate on 14 June.

Because this legislation will be passed by the new Senate the Tax Commissioner has made it clear, however, that employers can act to implement the tax cuts through the adoption of revised withholding schedules issued by the Tax Commissioner. These schedules are disallowable instruments. They have been tabled in the House of Representatives on 26 May 2005 and are due to be tabled in the Senate on 14 June 2005 when it next sits.

In summary, the tax cuts can apply from 1 July 2005 even if the Government's legislation to enact the new rates and thresholds is defeated in the Senate. But for this to occur, the Tax Commissioner needs a clear statement that a majority of the Senate will not support a motion to disallow the schedules.

Mr Beazley is unable to state a position on whether Labor will disallow the schedules.

In light of the morning's media coverage, I now seek your views as to the position of the Australian Democrats. If the Democrats issue a statement saying they will not support disallowance then this could provide the Tax Commissioner with the certainty he requires to proceed with a single set of schedules that vary the withholding rates in accordance with the changes announced by the Government in the 2005 Budget.

These tax cuts are due in 20 days time. I look forward to hearing from you as early as possible so that the uncertainty with respect to 850 000 employers and 7 million Australian taxpayers can be resolved.

Yours sincerely

PETER COSTELLO