Spender calls for doubling down on spending discipline and productivity agenda in the wake of further rate rises

Community Strong MP, Allegra Spender, has called on the Government to double down on their efforts to boost productivity after the Reserve Bank raised the cash rate by 25 basis points to 4.60 per cent today.

"Households are once again being asked to do their bit to combat inflation. The Government needs to show that they're committed to fighting inflation by curbing spending and lifting productivity.

"The Reserve Bank is responding to high and persistent inflation. The Government has levers to pull here too on the supply and demand side of the equation. They've made progress but they must lean in further."

Spender is calling on the Government to support the efforts of the RBA by cutting or delaying non-essential spending and not support spending from state counterparts. Government spending is currently at 26.8% of GDP, up from 24.5% in 2019. Spender is also calling for a more aggressive productivity agenda to lift economic capacity, including deregulation and an overhaul of the innovative business CGT concession, currently in exposure draft.

"The Government has made some difficult calls on spending, particularly on the NDIS, but rising interest rates need more urgent and immediate action. They should be tasking every department with cutting or delaying all non-essential spending, including infrastructure investment, to take heat out of the economy as well as making clear to their Victorian and New South Wales's counterparts that now is not the time for shiny election promises and blank cheques.

"The long-term solution is lifting productivity and for that we need a stronger private sector. To their credit, this Government have made progress but now is the time to double down those efforts.

"That means a serious deregulation agenda, with a hard target and a mechanism to deregulate sector by sector. It also means getting the incentives right for productive businesses that create jobs, make investments and grow. The Government is currently consulting on CGT concessions for innovative businesses, but the proposal remains too narrow to be effective.”

Yesterday, Spender made submissions on both exposure drafts relating to the Innovative Business CGT Concession and the R&D Tax incentive. On the IBCC, Spender acknowledged changes the Government made since consultation, but said they still fall short of fixing the underlying design problems. Spender renewed her push for the Government to abandon indexation for non-property assets in favour of a flat discount at a reduced rate or, failing that, Spender said they must further broaden and simplify the eligibility criteria.

"I pushed the Government to reform tax, but fairness cannot undermine productivity. The indexation method for non-property assets has the potential to do just that," Spender said.

"Treasury has acknowledged that its indexation approach doesn't work for businesses with high growth or a low-cost base, but it hasn't explained why the concession to address this needs to be so narrow. I'd challenge the Government to explain how that is fair when other businesses that make similar commitments and take similar risks will fall outside the concession because of a strict definition of 'innovative'.

"Over the past week I've been speaking to businesses, and what's clear to me is the degree of uncertainty. Even businesses that think they would be eligible can’t be sure they'll still be eligible in the future if their circumstances change. They're worried this could seriously affect their ability to raise additional capital.

"The Government's own Intergenerational Report shows how productivity determines whether Australians can expect a more prosperous future or one of higher debt, higher taxes and lower living standards," Spender said. "Growing new, globally competitive companies is central to lifting productivity and getting us out of this economic malaise we’re in."

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