

:CHRIS UHLMANN: Business groups are becoming increasingly wary about talk of deep budget cuts and of a temporary debt tax

The Australian Industry Group says any new tax would only slow the economy.

The group's chief executive Innes Willox is speaking with our business editor, Peter Ryan.

INNES WILLOX: Well, we have big questions about a debt levy as the way out of our budget situation. The business community completely understands that the Government has a very hard job ahead of it to get us back into surplus over the longer term but a one-off debt levy on people who are working, who are contributing to our economy, who are spending at a time when our economy is already fragile, we think is deeply problematic.

It will only serve to dampen our economy at a time when we need growth.

PETER RYAN: It's perhaps not surprising that business would be nervous about any sort of tax let alone a debt tax but isn't that the temporary but harsh sort of medicine that Australia needs at the moment?

INNES WILLOX: Well, I think this budget is going to provide us with a lot of medicine and a lot of different medicines and we're hearing the stories about quite significant budget cuts in a range of areas and we support the need to get the budget back into surplus. It's the way that you do it and you don't tax your way to prosperity. That's something that's, a saying that's very common and to put another tax forward on the community at the moment at a time when we're suffering significant bracket creep as it is, is really going to add to the burden to Australians at a time when confidence remains very fragile.

PETER RYAN: Just how serious do you think the Prime Minister is about a debt levy and also reining in welfare? Is this a kite flying exercise to test public reaction as the softening up process continues?

INNES WILLOX: Well, April, before the budget, is always a time when governments do test a lot of propositions to see what the community reaction is and the Government may well be committed to this proposal. But we would hope if it is just a kite, that they do pull it down to the ground and rethink it because of the dampening impact it will have on the economy at a time when we can least afford it.

PETER RYAN: Is any of this speculation, which includes a debt levy, any sort of substitute for wider tax reform?

INNES WILLOX: No, we do need wider tax reform. I mean that's very clear. We need to have a very good examination at the GST at both the rate and the base of the GST. That's something that we believe is necessary. We have a range of state government taxes for instance, those transactional taxes, which are highly

inefficient. And we're saddled with an early 20th century tax system for a 21st century economy and we'll need, as a country, to be prepared to take some hard decisions and have some hard discussions.

PETER RYAN: Mr Abbott remains committed to a very expensive paid parental leave scheme but is that still sustainable given the cost and the deep cuts that are almost certainly coming in the budget?

INNES WILLOX: If we are in such serious budgetary position as the Government is making out, as a country perhaps we need to face up to the fact that we can't have our cake and eat it too.

PETER RYAN: Given the current budgetary pressures, is the paid parental leave promise something that Mr Abbott would be forgiven for breaking?

INNES WILLOX: Well, certainly from the business community's perspective it would be and of course circumstances change through the political cycle and we just need to be aware of that.

CHRIS UHLMANN: The chief executive of the Australian Industry Group, Innes Willox speaking with our business editor,