

THE INTERACTION BETWEEN THE TAX SYSTEM, THE TRANSFER SYSTEM AND RETIREMENT INCOME ARRANGEMENTS

SUBMITTED ON BEHALF OF:

THE INSTITUTE OF CHARTERED ACCOUNTANTS TAXATION DISCUSSION GROUP NO. 9 (FORMED 1965)

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CONTEXT

THE STATED OBJECTIVES OF THE RETIREMENT INCOME SYSTEM ARE OPTIMISING RETIREMENT INCOME; FISCAL SUSTAINABILITY; AND FAIRNESS – WHILE ENCOURAGING SELF-PROVISION IN RETIREMENT.

OVER THE NEXT FORTY YEARS THE NUMBER OF PEOPLE IN THE ‘TRADITIONAL’ WORKFORCE SUPPORTING THOSE WHO HAVE LEFT THE WORKFORCE WILL NEARLY HALVE.

THE GOVERNMENT’S OBJECTIVE IS TO ACHIEVE A BETTER TAX SYSTEM THAT DELIVERS TAXES THAT ARE LOWER, SIMPLER AND FAIRER.

A BETTER TAX SYSTEM IS ONE THAT SUPPORTS HIGHER ECONOMIC GROWTH AND LIVING STANDARDS, IMPROVES INTERNATIONAL COMPETITIVENESS AND IS WELL-PLACED TO ADJUST TO A CHANGING ECONOMY AND NEW OPPORTUNITIES.

FUNDAMENTAL OBSERVATIONS

THE PURPOSE OF RAISING REVENUE BY TAXATION IS TO ENABLE GOVERNMENT EXPENDITURE COMMITMENTS TO BE MET.

TAXATION CAN BE FAIRER FOR ALL AND TAXES LOWER, IF GOVERNMENT EXPENDITURE ON THE PROVISION OF SERVICES AND ADMINISTRATION IS REDUCED AND IF UNFUNDED COMMITMENTS TO FURTHER EXPENDITURE ARE SHUNNED AND AVOIDED.

A FAIR TAX SYSTEM IS ONE THAT WILL ALLOW THE GOVERNMENT TO RAISE REASONABLY PREDICTABLE LEVELS OF REVENUE SIMPLY AND EQUITABLY, AND ALSO CONSISTENTLY.

THE BRILLIANT ADVANCES IN MEDICAL SCIENCE SINCE WORLD WAR II HAVE LEAD TO SIGNIFICANT INCREASES IN LIFE EXPECTANCY, UNMATCHED BY INCREASED LONGEVITY IN THE ‘TRADITIONAL’ WORKFORCE AND EXTENDED EXPECTATIONS AS TO WHEN ONE SHOULD BECOME ‘RETIRED’.

PARAMOUNT FAIRNESS CONSIDERATIONS

ENSURE THAT CORPORATE INCOME IS NOT SUBJECTED TO DOUBLE-TAX.

MAINTAIN IMPUTATION CREDITS FOR TAX PAID BY COMPANIES TO THEIR SHAREHOLDERS.

ENSURE THAT TAXES ARE NOT MISDESCRIBED AS ‘LEVIES’.

PREVENT THE USE OF IMPUTATION CREDITS TO FUND SHARE BUY-BACKS AND THE AVOIDANCE OF CAPITAL GAINS TAX (CGT) THAT WOULD OTHERWISE BE PAYABLE ON SUCH SHARE BUY-BACKS.

REMOVE ALL EXEMPTIONS IN RELATION TO GOODS AND SERVICES, UNDER THE GOODS AND SERVICES TAX (GST).

PREVENT OVER-PROVISION FOR SUPERANNUATION TO SHELTER WHAT WOULD OTHERWISE BE TAXABLE INCOME.

ONLY REDUCE THE RATE OF COMPANY TAX WHEN PERSONAL INCOME TAX RATES ARE REDUCED BY THE SAME FRACTION.

MAINTAIN 'NEGATIVE GEARING'

ALLOW THE SAME TAXPAYER TO OFFSET LOSSES FROM ONE FIELD OF ENDEAVOUR AGAINST TAXABLE INCOME FROM OTHER FIELDS OF ENDEAVOUR.

NO EXTRA TAXES SHOULD BE IMPOSED ON BANK ACCOUNT BALANCES OR DEBT INSTRUMENTS- SAVING SHOULD NOT BE DISCOURAGED.

NO WEALTH TAXES SHOULD BE IMPOSED.

NO GIFT DUTIES SHOULD BE IMPOSED.

NO ESTATE DUTIES SHOULD BE IMPOSED.

PAYROLL TAXES, STAMP DUTY, LAND TAXES AND FUEL TAX LEVIES SHOULD BE ELIMINATED.

THE ELIGIBILITY AGES FOR PENSIONS SHOULD BE INCREASED SO THAT THE PERCENTAGE OF AN AVERAGE PERSON'S LIFE SPAN DEVOTED TO WORK IN THE 'TRADITIONAL' WORKFORCE SHOULD REMAIN COMPARABLE WITH WHAT IT WAS IN (SAY)1980.

FORMAL SUGGESTIONS

GST

INCREASE THE RATE OF TAX FROM 10% TO 15%.

REMOVE ALL EXEMPTIONS.

CGT

MAINTAIN CGT EXEMPTION IN RESPECT OF MAIN RESIDENCES.

COMPANY TAX

MAINTAIN THE CURRENT TAX RATES OF 30% FOR LARGE COMPANIES AND 28.5% FOR SMALL COMPANIES IN THE SHORT TERM, BUT MOVE TO A COMMON RATE FOR ALL COMPANIES AS SOON AS PRACTICABLE.

MAINTAIN IMPUTATION CREDITS FOR DIVIDENDS PAID TO SHAREHOLDERS GENERALLY.

PREVENT THE MISUSE OF IMPUTATION CREDITS TO FACILITATE THE AVOIDANCE OF CGT ON SHARE BUY-BACKS.

ABOLISH INVESTMENT ALLOWANCES FOR RESEARCH AND DEVELOPMENT, FILM REBATES ETC.

MAINTAIN FRINGE BENEFIT TAXES (FBT).

PERSONAL INCOME TAX

RETAIN THE CURRENT LOW INCOME THRESHOLD.

SUBJECT TO MODELLING, SET MARGINAL TAX RATES AS FOLLOWS;

TAXABLE INCOME BETWEEN \$30,000 AND \$80,000	20%
TAXABLE INCOME BETWEEN \$80,000 AND \$120,000	30%
TAXABLE INCOME ABOVE \$120,000	40%

IF THE COMPANY TAX RATES ARE REDUCED, MAKE CORRESPONDING FRACTIONAL REDUCTIONS IN THE PERSONAL INCOME TAX RATES, OR, INCREASE THE THRESHOLDS BY LIKE FRACTIONAL AMOUNTS.

REMOVE ALL TAX OFF-SETS SUCH AS HOUSE-KEEPER'S ALLOWANCES AND AGED PERSON REBATES.

TREAT ALL INCOME AS ASSESSABLE INCOME, INCLUDING PENSION PAYMENTS, FAMILY TAX BENEFITS AND OTHER SOCIAL SECURITY BENEFITS

TREAT 85% OF ALL PERIODIC SUPERANNUATION PAYMENTS AS ASSESSABLE INCOME, TO WHICH NORMAL MARGINAL RATES OF TAX APPLY, TO THE EXTENT THAT SUCH PERIODIC PAYMENTS EXCEED 10 TIMES THE AGE PENSION RATE FOR THE CORRESPONDING PERIODS.

COMPLEXITY AND EFFICIENCY

IN OUR VIEW, SIMPLICITY AND EFFICIENCY WILL BE ACHIEVED, IF THE ABOVE SUGGESTIONS ARE ADOPTED. THE OPPORTUNITIES FOR THE CASH ECONOMY TO SURVIVE WITHOUT PAYING TAXES AT FAIR LEVELS WILL BE DIMINISHED.

IF THE COMMONWEALTH OF AUSTRALIA WERE TO WITHDRAW FROM AREAS OF GOVERNMENT WHERE IT PROVIDES NO SERVICES, SUCH AS HEALTH AND EDUCATION, MUCH GREATER EFFICIENCY WOULD BE ACHIEVED.

RESPECTFULLY SUBMITTED FOR THE INSTITUTE OF CHARTERED ACCOUNTANTS TAXATION DISCUSSION GROUP No. 9,

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