

## RE:think. Tax discussion paper of March 2015

Submission by Charles Groszek, [Retired Commonwealth Public Servant, BA (Public Admin) and studies in Government Finance at post graduate level], to the Tax discussion paper. The author has occupied senior management Commonwealth Government positions in Defence, Child Support Agency and ATO spanning a period of 41 years.

Issues such as Taxation are but a part of the environment that can be likened to the world globe – all elements are intertwined and there are so many factors operating at the one time that it makes discussion on a single issue like taxation in Australia somewhat nonsensical without setting strong and clear objectives in respect of the bigger global issues.

Environmental factors should and possibly do determine a great many policy issues and the search for solutions should be cognisant of these influences. For example:

- Population in the world is already beyond any sustainable and sensible level and yet there are births in places that cannot feed or look after these new humans.
- Global warming is a reality no matter how it is denied by certain groups.
- Renewable energy and resources must be at the forefront of all planning. This also means that fossil fuels should be phased out – in the short term! Whilst Australia exports a lot of Coal, it is clear that it is an inefficient energy source and a great polluter.
- Farming land sold off to overseas interests intent on gas and coal and gold and iron ore mining that rapes our country for little gain to the public coffers once discounted for all the pollution and impact upon our land – that's right every citizen of Australia's land and not the playground of the greedy miners.
- Equality of society is essential. Whilst Australia has been recently recognised as having a "fairer" society than places like the UK and USA – there is clearly more to be done. The divide between rich and poor is an ever widening gulf. Reference to the ABC programme about the "Super-Rich & Us" shows clearly that the super-rich are not contributors but takers and unhealthy for the economy in general. The continuation of such a trend is likely to lead to increasing anarchy on a broader scale. It is time to wake up!

On a more taxation focussed front there are a number of matters that need to be redressed or at least considered. Some of these are as follow:

- Home ownership in the hands of the "middle class", but more broadly by everyone, is a positive indicator of a more even distribution of wealth. Australia is not doing

well here. Investors are driving the market and shutting out want-to-be home owners. There needs to be considerably less foreign ownership and negative gearing needs to be abolished. Debate on the subject of negative gearing often calls up images of increased rents by investors; however, the evidence is that removal of negative gearing does not have this effect. There is a good ABC “Fact Check” that supports this thinking.

- Wealthy citizens need to pay more tax, whether through direct and/or indirect means and via some level of their superannuation concessions/benefits.
- Tax concessions provided to currently approved Not-for-Profit groups are not congruent with their purpose and behaviours. Such groups as Hill Song, The Brethren and Scientology spring to mind. These are businesses and should pay tax accordingly.
- Distribution of tax via the welfare system needs an overhaul. Given the world population crisis Australians need not pay or contribute for families to have more than 3 children. Pensions need to reflect personal net worth and not be an entitlement funded by taxpayers wherever possible. Citizens need to be disavowed of the notion that “I paid my tax when working means I am now entitled to a pension” – the tax was used to pay for services that have already been received. Apart from the Superannuation Guarantee payments to workers, all citizens earning money should be compelled to pay into a mandatory Superannuation fund – probably controlled by something like the Future’s Fund – that is not subject to control by fund managers extracting extortionate fees.
- An excessive salary to executives of banks, public companies and Superannuation Funds, to name a few, needs some kind of control. The level of this greed is breathtaking and impossible to justify. Shareholder voting is not a real option here as most shares are owned by institutions who have self-interest at heart.
- Ownership of basic services such as electricity and water should never be in private hands. Evidence is clear that prices are higher for the consumer, citizens can be held to ransom and only the equity partners benefit via extortionate remuneration packages. They should be efficient and the public should expect/receive high quality service.
- Polluters should change their behaviour and the public should not wear the cost.
- There should be one source of taxation revenue and this should be national. State Governments should not have the power to tax and in reality together with Municipal regimes, create a wasteful additional layer that adds little value. There need to be regional service delivery mechanisms for which “Boards” would be constituted by Government and publically elected officials accountable to the citizens based upon their performance in which their remuneration should be founded. I seem to recall that the GST (a tax we were promised we would not have!) was to facilitate the abolition of State taxes – Australia is still waiting.

- Superannuation fees and extravagant remuneration payments to fund managers should be better controlled and significantly reduced.
- Tax on savings from already taxed sources should be reduced or abolished; but, in a graduated way such that middle and low income earners benefit the most.
- Any profit derived from business activity in Australia should be fully taxed in Australia. Any contrivance to artificially avoid this responsibility should be treated as tax fraud and be subject to the full weight of penalty provisions – and cover the full historical period of the avoidance. I thought our laws prevented the use of overseas sales hubs and transfer pricing as employed by some of the biggest companies in Australia to shift to lower taxing jurisdictions – i.e. BHP, Rio Tinto, Apple, etc. that have had some airplay in recent times. Clearly there has been little will on the part of successive Government to enforce the laws via the Tax Office.
- Foreign individuals and entities should not be allowed to own land or major assets in Australia. These income producing assets need to provide a proper return to **Australians** not Indian iron ore mining companies or Korean coal miners raping arable farm land or Chinese Government companies controlling what happens in Australia or selling our dairy industry off to Canadians or selling off large tracts of Queensland to Indonesian concerns to grow beef cattle and take them out of the country without any value added processes in Australia to drive jobs.
- Selling off farmland for mining should in principle be stopped. Given the demand for food in the world and the need to get away from fossil fuel consumption, clearly and surely there is a case for Australia to be a world leader in this field.
- If it is profitable for a Spanish company to set up solar generation in Queensland, why is not an Australian company or our Superannuation Funds not implementing this project with the usual favourable taxation support? Profits would accrue to Australians and we would own the longer term generation and get away from coal or gas generation.
- Why has Australia not invested in getting water west of the Great Divide rather than let so much run into the sea? We have the engineering expertise and money spent here would increase our capacity to be the food bowl of the world. Potential return is huge.
- There are efficient meat processors in Australia who provide a level of employment to Australians. Increasing this capacity would obviate the need for the cruel live export trade. Why are we not investing more here to support such local endeavours?
- Public roads are becoming more congested daily. Our taxes should promote public transport with complimentary efficient urban development. Also, rail as opposed to road should be the primary means of moving the majority of freight and livestock and goods.
- Laws governing serious and criminal actions (e.g. fraud, violent crime, drug dealing) are not providing the necessary disincentive. All proceeds of crime and any “profit” associated with these crimes needs to be recouped. Drugs create such a huge cost to

Australia and hence any players in this odious trade should not only be jailed (or in fact capital punishment should be considered) but all their assets be paid into the public coffer(s).

- All citizens need to contribute to their own welfare and upkeep in a legal and society approved way. This would have a positive effect upon the community as a whole. Those that don't make a concerted effort here should have limited support from the hard working Australians. Those that choose the illegal track to support their life styles should be dealt with in more appropriate ways than is currently leniently available. Any citizens with dual nationality for example or visitors who transgress or do not contribute to the general welfare should be "encouraged" to leave Australia.
- Company tax levels should be tied to employment. Large companies in particular, but companies in general, should be required to be socially more responsible as regards employment and environmental care (in its widest sense) as equal in its responsibility to shareholders and the bottom line profit. Too often companies shift work overseas to sweat shops, sack workers because that is an easy way to improve the bottom line ( and of course increase executive bonuses) at the expense of the greater community good.
- Is there any evidence that companies actually pay their fair share of tax and that it is close to the actual prescribed tax rate?
- Reliance upon PAYG (including salary creep) is easy pickings and good for the budget bottom line. The more tax individuals pay the less is the flow of cash in the community. Maybe a fairer and better result would be through less individual tax and more on indirect taxation?
- Disbursement of tax via foreign aid should be tied to population control in the needy country (for after all is this not why they are needy in the first place?), efforts by the country to solve its own problems and after the needs of Australian citizens have been met. Human rights is a vexed issue and I have sympathy for those in need, but if we are supporting those in need to address problems they created themselves (without moving to solve their own issues) we are falsely propping them up and thus exacerbating the problem? Over population is such a case in point and is not sustainable. The UN is clearly not only ineffective in addressing the root causes but is itself an unwieldy bureaucracy whose inefficient operation; poor controls and lack of accountability are costly burdens to the Australian taxpayers. There must be a better way.
- People, as individuals or teams as part of organisations, that invent or improve life for citizens should be better supported by our tax system. Whether they are medical breakthroughs or discoveries of better solar collectors, Australia deserves to be the primary benefactor and not some overseas conglomerate that produces the "product" overseas and returns Australia nothing. Australia and in particular Australian business needs to become less risk averse and less dependent upon the Australian Government creating a soft landing (apart from the normal tax

concessions available) and take some steps forward globally. These sorts of forward thinking activities as opposed to digging minerals from **my** country to be processed overseas and sold back to me (which are hardly inventive or value added for Australia) are the sorts of things that Australia and my taxes need to promote and support.

- Australian agriculture needs to be better nurtured – not sold off. We should not need to import products that can be grown here (preferably organically) in Australia. (Water to the west of the Great Divide would be an important platform to achieve such an outcome.) We are a free trade nation which is commendable but when we compete against so many subsidised countries (high among them is the USA) we are at a significant disadvantage.

Parliament is the authority for making tax laws. We have had several broad reviews in recent times that have attempted to present a holistic approach to reform. These reviews have been largely ignored or cherry-picked for politically palatable options with an eye on the Government's supporter base and the next election. What optimism should I have that anything might be different this time? In particular I note in the Foreword there is already a gratuitous Party driven philosophic offering that states "Last year, the Government abolished the carbon and mining taxes, which were a drag on growth". What sort of growth – company profits or community benefit? If one holds to the view that private enterprise is not innately or of itself necessarily good for the community in all cases (sure, it is for the shareholders generally who represent the wealthy citizens except via Superannuation funds for a minority of the less well healed) then maybe we would share our wealth more fairly and we would see our natural resources more commonly owned and shared. Growth is pushed by population growth and the demand for resource consumption – but what if we stopped this growth and moved to a sustainable world, what if we had an independent review of wealth distribution that clashed with this view of carbon and mining tax – would we see a Government of a (any) particular focus recognise the greater good and really move our tax system to support us all and not just the wealthy or private enterprise?

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