Electronic transaction tax.

1. Simplicity
2. Cost effective
3. Flexible.

You can almost imagine Governments in ancient times saying to themselves “Wouldn’t it be wonderful if every transaction made was recorded automatically and we could just automatically take a percentage as tax. Well guess what? Today we can do exactly that.

Today ever more transactions are electronic, either through eftpos or on line. Most pays are electronic and most transactions of any significant amount are electronic.

Surely any tax system that would be designed today would utilise this fact.

My proposal for a new tax system has the following basic concepts.

1. All current taxes (including GST, income tax, company tax etc.) are scrapped.
2. An electronic transaction tax is introduced on all transactions above a nominal figure (eg $200).
3. Taxes are collected by the banks through a simple automatic mechanism where the tax rate of approximately 2.5% is added to every electronic transaction.
4. The tax that is collected by the banks is transferred to the Government and distributed amongst the states.
5. Each year the tax rate is reviewed and is adjusted in accordance with what is needed for the budget.
6. Legislation is introduced to require all pays must be electronic and all transactions over a nominal amount must be electronic.

Advantages

1. The time saved by business and individuals in calculating and in the case of business collecting tax is reduced astronomically.
2. The cost saving to Government and therefore tax payers through the abolition of the tax department is massive.
3. Fairness is automatic due to the fact that big spenders pay more and small spenders pay less.
4. The amount of the tax rate can be easily adjusted each year ensuring that the budget is always manageable.
5. The simplicity and automation will change the way we do everything. Tax will not be taken into consideration as it will just be a natural part of life.

Disadvantages

1. People may be encouraged to make more cash transactions to avoid paying tax. This is no different to the current system however where there is always an advantage in paying cash. Here the percentage amount is less than the current system so I believe people will be less likely to try and abuse it.
2. A lot of accountants and tax office workers will be out of business as there will be zero requirements for these people.

Summary.

This is REAL tax reform which utilises today’s technology and the way we do things these days. It is fair and simple and will save business and Government billions of dollars.

The actual tax rate will have to be calculated by treasury department as I do not have the required information to calculate the rate but on my initial calculations based on internet research I believe that the rate required will be less than 3% on all transactions.

The above proposal is merely a concept and obviously there is much detail to work through however I believe the basic concept is the obvious way to go with taxation.