**TWO FUNDAMENTAL CHANGES**

**TO THE TAXATION SYSTEM**

**Recognising the need for equal rates of tax between non-human artificial corporations and living humans**

**And**

**Rewarding Entrepreneurs with Tax Credits derived from the PAYE of every person employed in Small Business**

Australia does not have an Expenditure crisis!

Like Greece, Australia has a Revenue and Employment dilemma!

By introducing one incentive to individual and partnership entrepreneurs employing people, will result in increasing Revenue and reduction in social security benefits expenditure. The other incentive has cash flow benefits for small business, while addressing tax rate discrepancy.

Both inconsistent discriminatory taxation rates and inadequate targeted incentives for employers of the bulk of Australian employees are the deficiencies to Revenue maximization. Specifically, the small business employers create the bulk of jobs. Especially the non-incorporated employer [the family business] and those large enough to justify incorporation into small companies, defined as companies of less than a million Dollars of issued paid-up shares or paid up capitalA and not eligible to be listed, or not already listed on any type of stock exchange for the exchange of those shares. The incentive is deliberately aimed to assist small non-bureaucratized businesses expand and employ more people, thereby reducing social welfare.

Jobs are a right under the citizen’s Social Contract1 with the Commonwealth, and give dignity through independence of disposable income, healthier lives, and contribution to the common weal [Commonwealth] through taxation, expenditure and savings for re-investment. Thus, more taxpayers provide Revenue and reduced Expenditure on unemployment/sickness benefits and less drain on Medicare due to their healthier prospects.

It is through these entrepreneurs that the majority of employees have work and able to pay tax through the PAYE2 system, and the entrepreneurs pay tax on their profits through monthly or quarterly returns. Note that the non-incorporated entrepreneur pays tax at the same progressive rate as their employees - the ordinary taxpayer, whereas corporations have an advantageous flat rate that distorts any egalitarian equity treatment between non-human corporations and actual human taxpayers. This is because enterprises operating through a company pay a flat rate3, lower than the marginal and overall rate of the human taxpayer2. This is clearly inequitable. It also deters the human entrepreneur employing more employees, because the inequitable difference in tax means entrepreneurs have less disposable revenue after payment of the their taxable income’s taxation due.

This inequitable disparity in the tax rates between entrepreneurial people - living humans - and privileged non-human corporations3 further acerbates the dis-incentive to employing more Australians by small businesses.

Without re-arguing the benefits of the progressive taxation rate, it is clear the tax rates - whether progressive or flat -, should be the same between all Australian taxpayers. Regardless of whether being an employee, entrepreneur or small company or a large corporation, with no distinction, all are contributing to the Gross Domestic Production [GDP] at an equitable rate. This is because the Australian nation collectively, is giving everyone the opportunity to earn an income.

Without the nation and the Social Contract inherit in being a citizen, no enterprise or incorporation is achievable. Nor are the wages and profits thereof achievable. In short, corporations are non-human citizens of the Social Contract, only being able to exist because of the laws of the Nation of Australia. Consequently, they need to contribute their share of taxation at the same rate, to pay for the expenditure of the nation.

The incentive for human and small companyA entrepreneurs to employ fellow taxpayers would be, not by grants or subsidies, but from the tax employees pay through the PAYE system. The Taxation Department receives the tax collected, but entrepreneurial employers will receive a credit for the amount paid against their tax liability. This is because, without them sharing their workload with employees, their profit would be higher by the equivalent of the wages not paid, and hence paying a higher rate of tax equivalent to or higher than the tax PAYE collects if employing people. Nett Revenue is affectively unaffected, so by sharing the workload by creating jobs and remitting the PAYE, the small enterprise deserves a tax break equivalent to the PAYE tax remitted for employing people, by way of a tax credit [not able to be cashed]. What greater equitable incentive to employing more taxpayers, than entrepreneurs and small companiesA, to receive tax credits applied against their own taxation liability?

Where the tax credit exceeds the tax liability due, probably caused by over employing people, the excess credit is not refundable but applied to future monthly PAYE remittances, thus assisting cash flow of the enterprise. Sufficient cash flow is an ongoing restriction to business expansion and employment of humans. Better the business being assisted to continue employing [a form of privatising welfare], rather than employees being unemployed with resultant Centrelink expenditure on unemployment/sickness benefits and increased Medicare expenditure mainly due to stress from their failing prospects of employment.

The reactionary response to equal tax rates between non-human corporations and living humans – without which the corporation cannot exist or operate – usually argues, irrationally, that corporations need lower tax rates to be attractive to investors. Assumedly, the investors will naively believe the corporation will pay higher dividends resulting from greater Nett Revenue after paying the inequitable lower rate of tax, or if retained, the price of the shares will rise as the investors speculate on the actual value of the corporation.

Whatever the speculative expectation, it is not a fair or equitable argument to justifying a lower rate of tax for corporations, so that investors can speculate between themselves the value of the lower rate of taxation on the price of the shares.

Further, the dividends the corporation deigns to distribute from the taxable revenue have a tax credit attached equivalent to the tax paid at the lower rate of tax. However, the dividend income for the human investor does generate further taxation, due to the rate discrepancy, to equate with that paid by fellow human taxpayers.

There is no credible reason why investors should not have their taxation liability finalised on the income of the dividend when they receive their franked dividend. They do not, because of the unequal tax rates between non-human corporations and human beings. The idea of the frank dividend was to eliminate double payment of taxation on that already taxed, but it has the unfortunate result of more tax being payable, because the corporate tax is less than that for the living, human, taxpaying shareholder.

The installation of the franked dividend concept into the tax laws, is defacto recognition that the ultimate destination of corporate income in the form of dividends should have tax at the living human rate of taxation. This, like so many complicating Amendments to the Taxation Assessment Act, is a direct result of unequal rates of tax between non-human corporations and living humans, that is, beings as distinct from corporate non-beings.

Other arguments in favour of reduced corporate tax rates [as explained above], ultimately results, in human being investors not receiving an incentive to invest, because of the disparate tax rates. Only foreign investment corporations, remitting dividends received to overseas, gain a benefit.

Taxation is to aid the Government pay for Expenditure on Australia’s needs. It is not, according to a Prime Minister, to paraphrase, to subsidize life-style choice by living overseas4 as foreigners. This benefit is at the cost to Revenue for the Nation, exactly opposite to the need to avert the Revenue crisis of declining taxation unable to meet the expenditure needs, as mandated by the human being electors to various Governments, over the decades. Further, the life-style choice by living overseas4 denies Australia the benefits of their expenditure being in Australia, thus deriving more tax via the GST.

By equalizing the tax rate between non-living corporations and actual living beings, it will result in more tax revenue and equity for human beings *vis-à-vis* non-human entities. By providing tax credits from the PAYE collected by small business, people on benefits will be working for their benefits in the jobs small business will be providing. Winners all round, and corporations [if they were capable of emotion and feelings] ecstatic being able to pay their fair share of tax to the common weal, just as the human readers of this submission, do.

The fallacious argument that corporations, local or foreign, will not invest in Australia because the tax rate as compared to countries who act as tax havens, is without merit. It has not stopped Microsoft, Apple and a myriad of other companies investing, as they have easy methods such as price transfers and interest charges as revealed in the April, 2015 Senate hearings to dilute their Australian profits. Further, too many commentators also argue that tax is a cost to deriving profits. Again, this is a fallacious argument. Tax is imposed on profits. No profit invokes zero tax, hence why there is profit transference to overseas havens irrespective of the tax rate. Consequently, equalizing tax rates between living citizens and ephemeral non-human corporations will not deter investments by them in Australia.

**1 Social Contract**

Through Social Contract, … - the State was formed to assure and guarantee rights, liberties freedom and equality:

The essence of the Rousseau’s theory of General Will is that State and Law are the product of General Will of the people. State and the Laws are made by it and if the government and laws do not conform to ‘general will’, they would be discarded. While the individual parts with his natural rights, in return he gets civil liberties such as freedom of speech, equality, assembly, etc.

**Through Social Contract, a new form of social organisation- the statewas formed to assure and guarantee rights, liberties freedom and equality Through Social Contract, a new form of social organisation- the statewas formed to assure and guarantee rights, liberties freedom and equality** <http://www.academia.edu/3138759/Social_Contract_Theory_by_Hobbes_Locke_and_Rousseau>

**2 Individual income tax rates**

Residents

These rates apply to individuals who are Australian residents for tax purposes (refer to [Residency – what you need to know](https://www.ato.gov.au/Individuals/International-tax-for-individuals/Work-out-your-tax-residency/) for more information).

Tax rates 2014-15

|  |  |
| --- | --- |
| **The following rates for 2014-15 apply from 1 July 2014.** | |
| **Taxable income** | **Tax on this income** |
| 0 – $18,200 | Nil |
| $18,201 – $37,000 | 19c for each $1 over $18,200 |
| $37,001 – $80,000 | $3,572 plus 32.5c for each $1 over $37,000 |
| $80,001 – $180,000 | $17,547 plus 37c for each $1 over $80,000 |
| $180,001 and over | $54,547 plus 45c for each $1 over $180,000 |

The above rates **do not** include the Medicare levy of 2%

<https://www.ato.gov.au/Rates/Individual-income-tax-rates/>

**3 Company tax**

Tax rates 2014–15

The following rates of tax apply to companies for the 2014-15 income year.

|  |  |
| --- | --- |
| Companies | Rate % |
| This includes corporate limited partnerships, strata title bodies corporate, trustees of corporate unit trusts and public trading trusts | **30** |
| **Life insurance companies** | |
| Ordinary class of taxable income | **30** |
| Complying super and first home saver account (FHSA) class of taxable income  Additional tax on no-TFN contributions income where the company is a retirement savings account (RSA) provider | **15**  **31.5** |

<https://www.ato.gov.au/rates/company-tax/?page=1#Tax_rates_2014_15>

**4 Prime Minister Abbott’s** unilateral declaration allegedly on behalf of Australians in March, 2015.

**Russell Lindsay Moffet:** [**russellmoffet@gmail.com**](mailto:russellmoffet@gmail.com) **+6141 090 4712 Twitter #RMOFFET**