



4 June 2015

The Hon Joe Hockey MP
Treasurer
Tax White Paper Task Force
The Treasury Building
Langton Crescent
PARKES ACT 2600

Dear Mr Hockey

Thank you for the opportunity to make a submission to the Tax White Paper tax review. At the outset, I should say that the Renewable Energy Party supports the approach to fiscal responsibility of independent and minor party members in the Senate. More than 80 per cent of your first budget proposals have been passed in the Senate, but outstanding measures such as health, education and employment 'reform' are so obviously designed to disadvantage poor people as to be unworthy of our support. Our party is grateful to independent and minor party senators for allowing common sense to act as a check on unconscionable budget proposals.

Your second budget seems to have caused you less grief than the first, but a couple of provisions are worth mentioning. The government's backflip on paid parental leave is breathtaking to say the least. You managed to turn away from the prime minister's 'signature policy' to what you now describe as 'basically fraud' for a scheme you once sponsored which potentially gave women up to 26 weeks leave to have a baby. Treasurer, this is an exploding cigar policy with respect. The other policy in your second budget worth mentioning is the \$20,000 spend-up for small business. There is something very dodgy about this policy. It seems to me to be uncapped and therefore uncoded – a recipe for disaster if you are concerned about the deficit.

And then there is the begging question whether the deficit really concerns you. For all the faults of your first budget, it did make a clumsy attempt to address the deficit and the \$16 billion hole in the budget you created by scrapping the carbon tax. While I accept that you had a mandate for your carbon tax abolition legislation, you were not authorised in my opinion to replace a tax on Australia's 300 biggest polluters with cuts to health, education and unemployment benefits. In fact, the prime minister gave specific undertakings prior to the last election that he would not be cutting these social benefits for the poor, implying that other measures were in the fiscal firing line such as corporate tax avoidance and tax perks for the rich.

Now it appears you are abandoning all attempts to rein in the budget deficit and relying on bracket creep to pay Australia's bills. Here are a few Cuban cigar serious reforms which I hope you will consider in the course of your tax review:

Capital Gains Tax

A basic assumption in our tax system is that capital gain is taxed at a lower rate than ordinary income because tax is already paid on the initial investment. But this is not true of Australia's burgeoning real estate market. Most of the speculative money driving the market is either borrowed or unearned income. Furthermore, expenses such as rent received are fully tax deductible, leaving the taxpayer to pick up the tab on extraordinary profits taxed at just 50 per cent of the capital gain. Here is an opportunity, Treasurer, to appropriately tax real estate speculation – make real estate speculators pay tax on 100 per cent of their profits.

Dividend Imputation

Company franking credits allow taxpayers investing in certain share products to enjoy reduced tax liability to the point where no tax is paid on a company's profit either in the hands of the company or the investor. In other cases tax liability is reduced to the point where share investment can be as profitable as real estate speculation. Like tax free capital gains, profits made on share investments that reduce or eliminate tax liability impose higher tax burdens on ordinary taxpayers. Dividend imputation has been seriously restricted in Great Britain and abolished altogether in robust economies such as Germany and France.

Concessional Superannuation

Superannuation is taxed at the concessional rate of 15 per cent as it goes into the super fund so it seems inequitable that a taxpayer might draw out the money tax free for any purpose other than retirement income. Where any amount is drawn out of the super fund in excess of say \$100,000 in any period of 12 months then it is not unreasonable that the excess should be taxed at the normal marginal tax rate. Many tax payers in the transitional years from 55 to 60 and over the age of 60 lead a very comfortable tax-free life at the expense of their super fund. This is a rort, Treasurer, and more accurately fits your description of 'basically fraud' than paid parental leave.

Inheritance Tax

Many of us recall a time when wealthy estates were taxed on the basis that unearned income should make a contribution to the budget. In 1967, just before estate and gift duties were scrapped, the combined revenue raised was about 0.6 per cent of GDP or \$10 billion per annum in today's money. An inheritance tax could be imposed on estates valued at more than \$2 million and the tax would raise about \$5 billion per annum which is equivalent to 0.3 per cent of GDP. Certain exemptions would apply in the case of family farms and other taxable trading entities already contributing to the economy through employment and goods and services output.

Fossil Fuel Subsidies

Each year Australian taxpayers subsidise oil, coal and gas companies to the tune of a staggering sum of \$23 billion or 1.8 per cent of GDP according to the International Monetary Fund in 2013. The figure includes implicit subsidies created by not pricing air pollution and greenhouse gas emissions. Some commentators note that the \$16 billion raised by the carbon tax offset some of these subsidies. Without the carbon tax or a comparable levy on greenhouse gas emissions the 300 largest polluters will continue to ramp up their untaxed profits and create more pollution. Additional revenue could be raised from Australia's biggest polluters of about \$5 billion annually by reducing subsidies paid to oil, coal and gas companies. Why should ordinary taxpayers pay fossil fuel companies to pollute the natural environment?

Financial Institutions Obscenity Tax

A tax on super profits of large financial institutions as well as a transaction tax would have the effect of returning to consumers some of the obscene profits including salary distortions generated by the big banks. Large financial institutions operating in Australia are living proof of the biblical imperative that you cannot serve two masters, God and money. Our household indebtedness to the big banks at exorbitant interest rates is a financial burden on ordinary Australians comparable to the poverty burden of people in third world countries run by ruthless dictators. Figures from the Australia Institute suggest additional taxes on the big banks could raise up to \$7.5 billion in annual revenue 'which can be expected to increase substantially in years to come' without causing any serious imposition on the way the banks operate.

I do hope you will consider some of these measures, Treasurer. The Renewable Energy Party wants you to succeed in your aspiration to oversee a fairer tax system – one that rewards the rich for their hard work and ingenuity, but also recognises that many people cannot survive let alone prosper without support from the state. An imbalance exists in our tax system which currently favours the rich over the poor and responsibility to correct this imbalance rests with you. The measures I have outlined above are likely to generate additional annual revenue of about \$22.5 billion dollars which you would have at your disposal to boost the economy and rein in debt.

Yours sincerely



PETER BREEN