Review

Federal Government
Taxation whitepaper 2015

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"The easiest thing to do is to ignore it."

Review of the paper

- The paper was downloaded on 30th March

Perused in conjunction

- *Mining-royalties-and-statistics-in-NSW-Guidelines-for-compliance-Non-coal*
- World Bank statistics

Audience

Government and General public

Review - Federal Government Taxation whitepaper 2015

I. Commendation

The paper is an excellent compilation of the facts and issues involving taxation in Australia and provided a basis to begin to understand more correctly what kind of measures could be put in place to serve a better tax system and also has it provided information that could be employed to attenuate government and its planning, **but only if a higher system is employed to affect that outcome**. All involved should be commended for their efforts and it displays that our public servants do excellent work in analysis and general compilation with respect to their charged duties when called upon.

II. Wasting the talent of our public servants

The reports and analysis done by our public servants and government personnel in concert with private firms provides a perfect picture of all aspects concerning the problems facing government and society with regard to statistics and expertise. The problem is that those people are taught under the current principles that humans have accepted, much of which seriously needs to be reviewed, especially with regard to economic theory and politics. There is no doubt therefore that the work being done is firstly arduous and secondly done in detail, and well, however it is confusing because there is no overall simple format for everybody to adhere to, there is no common framework or accepted set of metrics that allow correct interpretation for all and therefore do we find that these reports are hard to disseminate by the general public because of the human education paradigm.

As will be shown, much of what is talked about and analysed upon is actually myth and so those involved upon realising this would no doubt prefer to change to a model that everybody understands and could objectify in the real world as being correct. Those peoples employed then could turn their efforts to proper analysis in an entirely different way and emerge champions. As it stands, they must founder in an inadequate system of government with confusing terminology and economic theory, much of which is fallacious and incorrect. One can only imagine the inroads that could be made by these brilliant people and teams if the society could 'get its act together'…we await the day the public realises this fact and awakens to the prospect of introducing an advanced arrangement of government where our public servants could be put to more useful tasks yielding huge social benefits.

1. Executive summary

1.1 Conclusion

A costed circuit model eliminates all of the problems discussed in the paper.

The problems mentioned are associated with the current system of government not its dissociated set of taxes, which is an uncoordinated derivative. The population needs to mature enough to the point where it is able to accept that its current ‘system’ of taxation is outdated because its current ‘system’ of government is firstly. When they are able to accept that premise, then will they be able to accept an advanced arrangement of government that employs a fully costed model which can never move into debt, imbalance or unfairness. Currently there is great resistance within political ranks to this type of thing because an immature governmental system ensures a stronghold on power and that is preventing the public being made aware of this fact...the media is doing nothing about the problem either. The information supplied in this review is therefore *inferior* advice for an appropriate ‘system’. It would therefore not be fair to implement only one recommendation offered here without implementing them all i.e. for the purpose of political gain etc.

A summary of the general configuration of an advanced arrangement of government and its revenue are given at the end of this review however more detailed advice with regard to how taxation is administered within it will not be discussed here.

Governmental science 101: A developing government is not a system and consequently cannot possess a taxation system.

Only advanced governments have taxation systems.

1.2 An introduction to taxation systems

Master realisation 1: Currently there is no country worldwide that possesses a taxation system

Nations and states worldwide can only claim to impose taxes. A system is a set of components that work together to generate some kind of output or product and are normally circuital or hierarchical, or both. Because governments possess the ability to change rule, they in no way possess the capacity to remain disciplined to a fixed format which would enable government to function effectively. If they did possess a static format, they could possess a taxation system. Governments worldwide then are not mature enough to accept that premise and therefore they must settle for taxes.

Taxes are random blockages in an otherwise uncoordinated and probabilistic association of entities that produce. This is called 'The economy'. The economy is basically an excuse. It is in no way defined and all entities within the society including the general public are used to voicing *"That would not be good for the economy"*. There is however no way for any of these entities to be able to claim that they are correct. Every interest group uses that statement from their perspective only. When those same entities enter government either as individuals or parties, they impose taxes upon sectors of the community which are 'good for the economy'. Given there is no sound governmental system to operate a society upon however, taxation cannot emerge as its natural component or counterpart, government remains separate while it imposes taxes upon the society to raise revenue for itself. Figure 1 shows the general relationship between taxation and society.

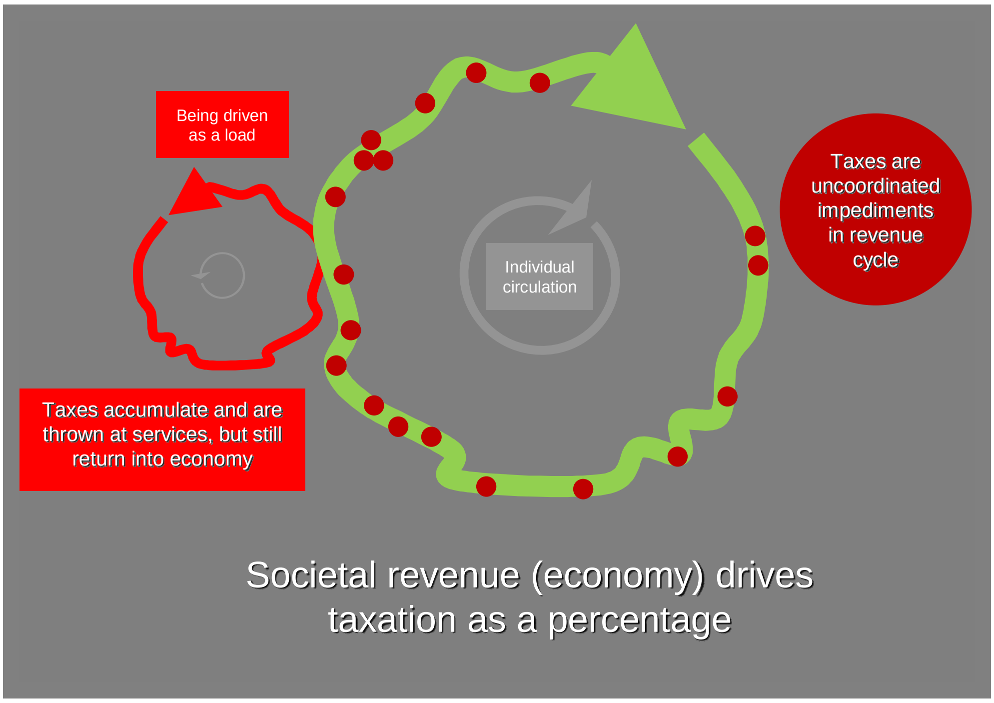

Figure 1

The system of government then does not allow taxation to be aligned with a societal structure and therefore it must work against it, at best at oblique angles producing uncoordinated outcomes. Figure 2 shows the general relationship between societal revenue and taxation revenue as directional superimposed components i.e. taxation must be a drag upon revenue generation given it is not aligned with it.

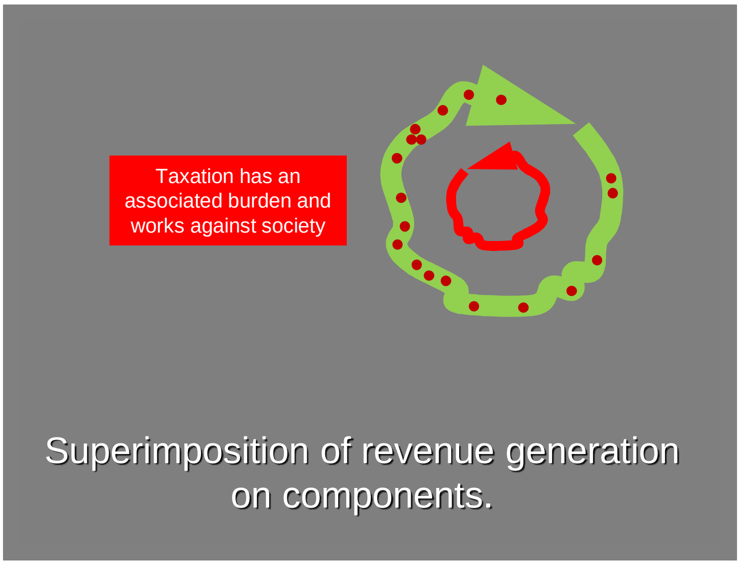

Figure 2

Master realisation 2: The society has to get taxation working for itself, not against itself. This cannot be done in the current governmental arrangement.

We would not want to delve into the intricacies of an advanced arrangement of government here suffice to say that those arrangements:

- Structure the government to reflect a societal model or universal arrangement
- Identify a primary revenue circuit which drives plans on that model
- Aligns taxation perfectly with revenue prohibiting the government from attaining either a debt or surplus i.e. rule is practically removed concerning finances and replaced with direct costing.
- Cause the profit from industry to be returned into the model under strict conditions of balance which amplify the static conditions under which that industry is producing a profit i.e. feedback / amplification.

Another major problem is that currently taxation is Embedded Taxation, not Hierarchical / Circuital. Embedded taxation serves to directly affect a societal aspect removed from an overall societal view, and therefore remains uncoordinated and limited in both time and space. Embedded taxation also allows for multiple taxation of a citizen or entity when seen across the entire societal panorama. Hierarchical taxation eliminates this however it must reside upon a hierarchical government and that is why current arrangements are so complex, unfair and ineffective. This can basically be summed up by saying that currently there is no way of effectively modelling the economy with regard to revenue generation and taxation. The existing arrangement has taxes put in place like road blocks, mere revenue raisers wherever they can be inserted. Governments try and hide taxation by introducing levies, taxes, imposts, indirect taxes etc. and therefore create different names for what can only be described as tax, making the job of clarify taxation, its effect and general position / interconnection absolutely impossible. There is no chance of creating a proper system simple and subject to the raising and lowering of tax rates depending upon societal demand / desire - that is reserved for an advanced arrangement of government.

Efforts to try and simplify our taxation system then are undermined immediately by the fact that we do not have a taxation system, we have taxes. Consolidated revenue allows an undisciplined distribution of that accumulation which again complicates the relationship between the cause and effect of any tax. The only way to simplify then is to remove as many taxes as possible and simply rely upon adjusting the remaining. This is resisted because all of those taxes are introduced to compensate for what is deemed to be unfair, however, that is only a political whim not based upon real or accurate information with regard to an overall societal effect and viewpoint because one cannot be ascertained under current arrangements, therefore 'fair' is political.

We return to our initial summation that one must replace the system of government first before any real headway can be made with regard to correct and fair taxation, simple in its implementation and remittance. **The more complex a society, the simpler must be its management, and consequently its government**. Politics is rarely truthful and therefore we must ask ourselves *"Does the government really want fairer and simpler?"* If we base our answer upon experience, without sounding cynical, we would most certainly assume *"Not at all"*.

1.3 Dispelling the myths

Rule 1: Raising the level of taxation will never clear a debt

- There are currently no countries in the developed world that do not have a debt.
- The highest taxing countries in the world have comparable or *higher* debts than Australia. Compare columns 4 & 5 in Table 1.
  Column 4 is debt, 5 is how much that country taxes its citizens.

Country	Population millions (est)	National debt $Million(USD)	Debt as % of GDP	Tax to GDP %	GST / VAT	Debt Per Citizen $	Population density (approx)	Multiplication factor against Australia
Russia	145	238,500	11%	**15.0%**	18%	1,700	8.2	3.0
Canada	33	804,000	44%	**11.5%**	5%	22,500	3.3	1.2
USA	303	18,200,000	104%	**10.5%**	0%	56,811	32	11.7
China	1,330	5,200,000	63%	**10.5%**	17%	3,800	140	51.3
Brazil	191	1,386,000	55%	**15.5%**	19%	6,837	23	8.3
Australia	21	407,000	25%	**21.0%**	10%	17,336	2.7	1.0
Denmark	5.5	155,400	46%	**33.5%**	25%	27,700	128	47.1
Norway	5	116,000	23%	**27.5%**	25%	23,000	14	5.3
UK	61	2,320,000	82%	**25.5%**	20%	35,800	250	92.2
Luxembourg	0.486	14,860	24%	**25.5%**	17%	27,700	190	69.6
Germany	82	2,190,000	69%	**11.5%**	19%	27,100	230	85.4

Table 1

Green indicates low, Red indicates High, Grey indicates Australian benchmark for land mass

Source: World Bank

Rule 2: Taxes do not raise revenue

Taxation is in no way linked to revenue. There is no evidence throughout recorded history that they are. Currently, there is no evidence worldwide that a high taxing country will in turn generate relatively high revenue, also is there is no evidence worldwide that a low taxing country will generate relatively high revenue either. A general conclusion is that currently our government wishes to toy around inside the taxation system while trying to cope with emerging problems in society and the 'generation of taxation revenue' (which is a confusion). The generation of revenue exists *higher* than the tax system. Taxation is a percentage of societal revenue and therefore its generation exists *higher* than taxation. This is fundamentally obvious but obviously overlooked by *everyone*.

Rule 3: Altering taxation only alters the shape of the society

In relative terms, there are so many factors affecting every different country around the world that comparing taxes between countries is futile. What emerges from the analysis is that certain statistics will be totally diametric for countries that in fact have identical statistics in other areas and vice versa. For instance, Australia is a huge country and has the lowest population density of any developed country in the world and while that remains a reality it will always experience a heavy taxation burden, *regardless of any other factor*. Russia is the biggest of all countries and has the lowest national debt but is still 3 times denser in population than Australia. Its population density however is still about 30 times less than the UK however the UK has a national debt approaching 8 times that of Russia's and a debt per person of around 21 times. So although for instance population density decreases the load upon the tax payer, it is in no way an indicator of national debt. We could spend all day going through conflicting and contradictory statistics. **Statistics are useless without a model**. When you do have a model, you can gauge everything with regard to a reference point, an electrical ground if you like. Global bodies such as the IMF and OECD for instance can only report on statistics but remain ignorant of individual circumstances; Australia is totally different than nearly every country on Earth, bar Canada.

Rule 4: Taxation levels do not increase productivity

Adjusting taxation is in no way a control mechanism concerning revenue through greater productivity. The USA has one of the lowest taxing regimes in the world but without anomalous productivity, Denmark has one of the highest for the same result. There is no emerging pattern then worldwide that could correlate these two factors.

Rule 5: Foreign investment does not increase revenue

There is no indication worldwide that increasing foreign investment affects in any way revenue i.e. there is no country worldwide with a high degree of foreign investment and in turn high total revenue compared to other countries.

Rule 6: A taxation system is hierarchically lower than its governmental system

This law is either not understood by economists and / or politicians or it is being ignored. Governments are afraid of money and therefore it is placed above them by those who run it. In reality, societal and governmental structures exist above money and are the elements responsible for it. The structure of revenue distribution coupled with planning is what creates revenue. To master the revenue cycle requires realising that you must master the society first and its governmental structure; the tax system flows from that and exists under its absolute command. Currently, there is no governmental system and no taxation system; there exist only government and taxes. Governments then occupy an upside down hierarchical position Figures 1, 2, 3 and 4.

Figure 3

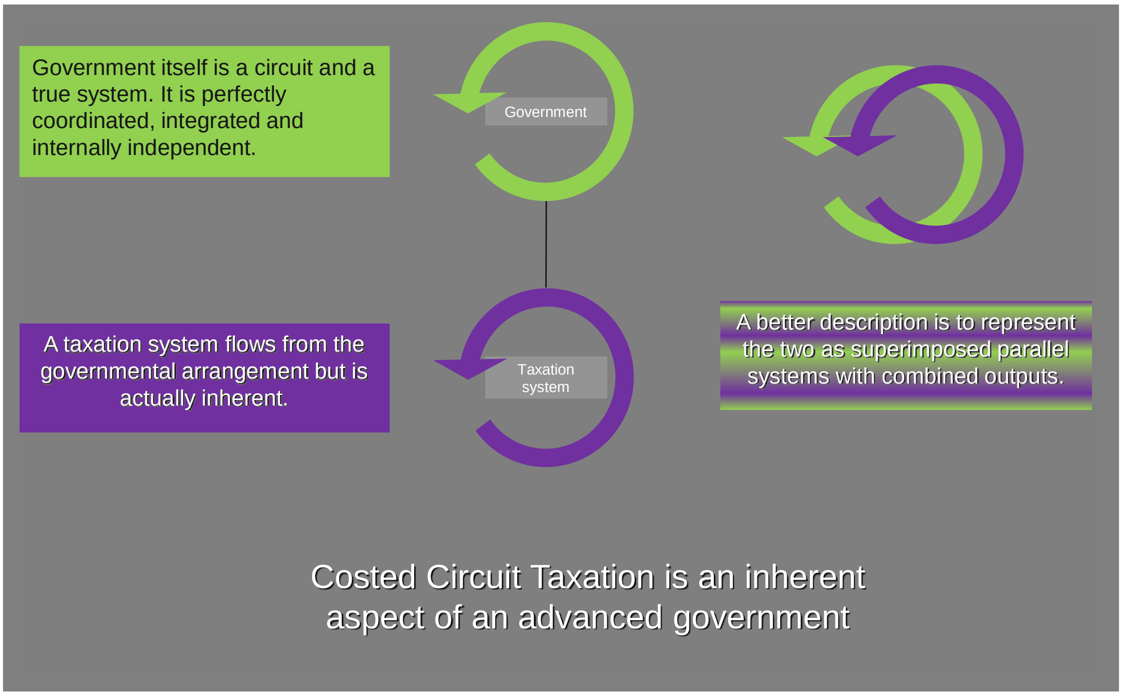

Figure 4

Rule 7: Taxation directly affects profit

The one element that taxation does affect greatly is profit. Taxation then should be progressively targeted at profit and routinely monitored and adjusted under the changing shape of the society and the now global conditions and environment in which it exists. A simple taxation system then allows the simple adjustment of rates, not intervening in every fashion possible to try and head off perceived threats. Once profits are taxed, it does not matter where they are used; legislation / regulation is the parallel component of a society to limit behaviour after taxation however it must be noted that correct taxation can replace a great deal of legislation and regulation. As will be shown later for instance, GST's or VAT's are a direct business tax. They are merely additive in overall taxation and can therefore by absorbed by a proper taxation system.

Rule 8: A taxation system should reflect a country's demographics and geography

Australia has the lowest population density in the developed world meaning it has more area to address for less tax dollars than any other country in the developed world. The UK by comparison is approximately 92 times better off. Current arrangements of government have separately imposed taxes ignorant of the country's geography / demographics. An advanced arrangement of government makes this impossible given the entire governmental structure is based upon the country itself, its layout and entire ongoing planning i.e. the taxation system reflects perfectly the arrangement of the country given it is superimposed upon the governmental system which in turn reflects perfectly the societal structure.

Rule 9: Earnings are only taxed *once*

The desire to place taxation upon derivatives of a person's financial profits is merely a taxation exercise and not aligned with any kind of societal model of equity or fairness; this is predominately the origin of Embedded Tax. There is always the desire to add in more hidden taxes when a certain area of society experiences growth or profit. This should not be a part of a productive model of society as it destroys the underlying integrity of the system being employed to generate off the whole. Profits are made and taxed *once*. If you wish to raise taxes, raise rates, do not introduce more unnecessary taxes. This is touched upon again later. You cannot however do that unless you know that you do not need to introduce more taxes meaning the current arrangement must be an optimum one. No government knows how to do that because they do not have a societal model; a correct representation then of the society will be the optimum configuration for funding and taxation meaning you will not be able to produce a more efficient arrangement within the society for any level of funding or taxation i.e. any model other than an optimum one will fall short in fulfilling revenue obligations in some respective area.

The above points represent the annihilation of a great deal of current economic theory, via evidence.

2. Review points

2.1 An incorrectly functioning governmental system

Page 16 of the whitepaper states:
"The situation where the states and territories rely on funding transfers from the federal Government to meet their expenditure responsibilities is referred to as vertical fiscal imbalance (VFI)."

In a correctly operating hierarchical government, no imbalance is recorded. Funding is supposed to be seamlessly transferred through a hierarchy. This merely represents the current confusion with regard to separate Federal and State governments, unable to cooperate because no co-operational arrangements are in place, nor is The Constitution able to even deal with that. Any imbalances or ill-defined responsibilities are a result of the governmental system, not the disobedience of subordinate structures to a perceived correct rule.

2.2 Superannuation is a tax funded socialist benefit

Page 16 of the whitepaper states:
"Australia's compulsory superannuation system — the superannuation guarantee — is sometimes equated to a social security tax. However, as it is paid directly into private superannuation accounts (currently set at 9.5 per cent of an employee's ordinary time earnings) rather than to the government, it does not meet the definition of a tax.10"

Superannuation must be immediately covered by the employer but is recouped as a business deduction and therefore it represents a taxpayer funded socialist benefit. Governments for instance could equivalently increase personal income tax and wages by the appropriate compensatory percentage and lodge that into an employee's superannuation account concurrent with their tax return each year without any differential whatsoever. Superannuation is simply a means to disguise a socialist taxation benefit and to redirect administration of the tax to the employer. Complications and inefficiencies still exist within the system even though it is administered by the public evident by the fact that there are billions of dollars of unaccounted savings in lost accounts everywhere across the nation in time and space.

There should be no taxation on any superannuation after deposit. The superannuation industry is where taxation lay and again that will be financial services particularly banking, companies and investments; these should be taxed again under tiered arrangements i.e. any profits from superannuation funds suffer appropriate business / company tax and are returned to any shareholders with no further taxation. [Superannuation in an advanced arrangement must be a circuit plan with its corresponding taxation. It is a Socialist benefit circuited through the Economy component of a PIDM]

2.3 Taxation revenue as percentage of GDP

Page 16 of the whitepaper states:
"The Government's budget projections incorporate a cap on Commonwealth taxation at 23.9 per cent of GDP (which, the 2014-15 MYEFO 2014-15 projected to be reached in 2020-21)."

If living standards are an indication of what an economy is meant to be affiliated with, then Australia having a low proportion of taxation to its GDP against other countries can in no way be an indicator that it has an inferior living standard as we have amongst the highest in the developed world i.e. countries that pay a high degree of tax with regard to their overall domestic produce do not live as well as Australians.

The ratio of taxation to GDP is an indicator of how socialist a country is. Although Russia is seen as socialist, it has a very low ratio as does the USA and China. Denmark's is large so is Norway's and the UK, they are socialist. Germany is conservative. Australia sits in the middle **Re**: Table 1, column 5.

2.4 Bracket creep

Page 20 of the whitepaper states:
"Based on existing policy settings, Australia's reliance on individuals income tax is projected to increase further over the next decade, largely as a result of wages growth leading to individuals paying higher average rates of tax, known as 'bracket creep'."

Bracket creep exists because taxation is set on subjective monetary metrics; it is not objectively totalled i.e. the current governmental arrangement is backward or operating in reverse and therefore, taxation is set or static. Services are not levied against that.
[Advanced arrangements normalise this by reversal to allow the routine alteration of taxation brackets depending upon the size of the revenue circuit and whether services were kept / cut or funding reduced / increased.]

2.5 International taxation comparisons

Page 23 of the whitepaper states:
"Recent research supports the importance of tax settings for economic growth.11 Greater global economic integration means that investment and highly skilled workers have become more mobile. If tax settings are too high, Australia will be a less attractive place to invest and work and this will affect growth in Australians' living standards."

The benefit of having a mobile overseas introduction of labour being taxed at Australian rates that are seen as high in no way reflects a negative benefit for the country. Adjusting or lowering taxation for the purposes of outside influences merely attempts to align the Australian taxation system with overseas systems in countries possessing lower living standards than our own and will therefore favour cheap imported labour. As long as people are open to the services provided by us, if they wish to work in Australia, pay Australian taxes and take our jobs, if not, we lose their expertise and it is contracted out to Australians or done without. A highly qualified workforce is part of a National Management Plan (NMP) inherent in advanced government. If there is a lack of qualifications in Australia at the moment, that would reflect the derelict state of our governmental system more interested in squabbling and winning votes than energising the entire country through planning.

2.6 Complexity and compliance costs

Complexity costs although stated to be around $40B annually merely shift profitability and production to financial services, and in great part accountancy. The distribution of revenue with regard to industry then becomes a talking point rather than taking away work from accountants. Removing complexity then is efficiency but we must understand it will reduce the size of the financial and legal services industries. We have again changed the shape of the society, not its productivity. Because there is no set apportioning of revenue within the society, there is no objective metric to base productivity or efficiency upon. If a government possesses a model, it has a basis upon which to distribute and gauge its revenue and services.

2.7 Tax concessions and payments

Any government concession in the current system merely affects the bottom line for a government's expenditure obligations i.e. any sector of the community given a concession is not boosting government revenue.
Tax concessions are associated with specific industries that include costs in their business deductions and therefore the community must pay for those through the taxation circuit. If for instance limousines were tax concessions, they would be business deductions for any industry paid by the tax payer. Tax concessions in the current system are therefore totally uncoordinated and not referenced in any way with the entire society. Tax concessions then are merely taxes and can be converted to them.
In an advanced governmental arrangement however, all concessions must have an associated circuit plan. If the total tax concessions for instance claimed for all limousines was $250Million, then that is an equivalent business circuit plan with a $250Million cost funded by $250Million taxation. Any tax concession is converted to a taxation which in turn must have a mirrored circuit plan. Embedded taxes are scrapped, or more correctly, normalised within a Primary Revenue Circuit.

Many of the tax cuts and benefits discussed in the paper then cannot be thoroughly explored without associated planning and correct costing. One cannot for instance simply focus upon how a single mother with two children could enter the workforce and what their taxation and relative benefits could be without an overall societal plan. For instance, just providing a payment may encourage people to stay single and have children under a welfare state. If you rule that out and provide child care free of charge if working, then you invariably force single mothers into the workforce, increase the childcare industry, recoup taxation from the mother, stress infrastructure without planning, increase demand for childcare services thereby increasing costs for them etc…but only if jobs exist; taxation benefits across all areas are therefore useless without planning; that is why they are classed whim based under party belief. Costed circuit models integrate the full suite of plans needed to balance the society under the proposed changes. Those plans are attenuated in concert as the NMP.

The current taxation regime involves the current regime of government which uses what is called Consolidated Revenue; this needs to be looked upon as an outdated concept unable to help modern society. The idea of tax concessions can only exist within an undisciplined and chaotic monetary system. A tax concession will only affect a specific area of the economy in current terms without the ability to map its total effect upon the whole economy. Payments and tax concessions then are in place because they are not directly linked to the entire economic circuit, given one has not even been identified or defined; they come about as a benefit seen to be introduced by a government that will help. This is fallacious unless employing a model because overall dependencies and interconnections are not mapped. What for instance is the difference between a tax concession and a lower entire taxation level for that industry / aspect? Nothing, unless the concession is specific for individuals in that industry…the favouring of one sector of the community over another. If earnings are taxed once, it matters not where those earnings accumulate. Tax concessions and payments then are brought about due to a lack of understanding the entire society; they are Band-Aids inside the system. If we for instance identify an underprivileged sector of the community, the temptation then is to provide those people with tax cuts or concessions, or payments. These all complicate the entire arrangement. An underprivileged support mechanism should be set in place by taxation. Anything additional is merely raising that level of taxation; there is no advantage whatsoever in complicating the affair through concessions or extra payments. If inside that sector, there are still sub-sectors that require additional funding, then they too are assigned a further support mechanism funded by taxation. In that sense of the word, in an advanced arrangement, there are only circuit plan payments funded by the Primary Revenue Circuit (total taxation).

An advanced costed circuit model uses taxation to directly fund circuit plans and therefore if taxation is reduced, it must reduce the funding to its plans. Consolidated revenue in the current governmental regime allows undisciplined costing and dispersal. Isolated or embedded payments again are undisciplined and are not a part of a costed circuit model. Payments become again plans with a corresponding taxation levied against them. **Rule 2: the amount of taxation on a society has nothing to do with generating revenue** and therefore these payments and concessions are only different governments toying around with something that in no way has any effect upon the economy, nor are they mapped or defined well.

Tax concessions are whims, little additions that have been introduced under a less than comprehensive overview of the society and its relation to a taxation system that does not exist, and are only 'little chiselled developments' government to government; there is no science behind their introduction and therefore they are converted to a proper taxation system component in an advanced arrangement.

Succinctly:

- There can be no uncoordinated tax concessions in a circuit model because they are mirrored with a circuit plan. Any industry tax concession is dealt with under its specific tax rate, or its tiers in its IST (explained later). This simplifies the whole process enormously.
- There are no isolated payments in an advanced arrangement because all taxation must fund a plan. A baby bonus is impossible; it must be an equivalent tax funded plan concerning for instance child care integrated with all other areas of the societal model; infrastructure, education, health etc.

2.8 Automatic regulation with regard to taxation on Savings

If an individual earns money and it is taxed, it should not be taxed again. The argument that those people who are wealthy are able to save more, is baseless i.e. they were initially taxed at the highest rate. Their bank accounts now large, are earning interest and that is a result of The Banking Industry. If the bank can return a high level of interest to the savings account, it must be making money off it and therefore we can say that a high degree of savings will benefit The Banking Industry. In a simplified taxation system then, taxation on savings should be abolished and company taxes should be tiered, this will also remove any super profit taxes etc. as any company beginning to do excessively well will move into higher taxation brackets. When it is taxed at a higher bracket, it must reduce the return to its account holders; automatic regulation has been achieved without any intervening taxes, legislation or administration.

Again, advanced taxation systems focus upon the *society* and that involves focussing upon industry profit. **The individual is left to profit under the onetime industry tax they should only be subjected to**, outside of indirect taxes they incur when they buy goods or release their money.

2.9 Shares

An individual earns money and is taxed on that money. Their desire to invest in business through the share market is an investment in industry. If that industry profits, then it is doing what it should as a productive entity. It is then taxed upon those profits and the return divided amongst shareholders; those returns must not be taxed, they have already been. Again, this simplifies taxation and any major increases in company profits are dealt with under tiered taxation. **Rule 9: Whoever earns pays tax *once***. The shareholder input to the company has already been taxed under personal income tax and should not be classed in the company's earnings. It is tax free and consequently the investment in industry. It remains liquid capital until invested as capital expenditure as a business deduction.

A super profits tax upon the mining industry for instance is just another Band-Aid taxation whim that would be caught in any industry in a tiered or progressive arrangement. As a boom hits, company profits skyrocket and taxation increases progressively. As the boom dies off, their taxation returns to normal given their revenue dies off. Private companies and trusts follow the same rule i.e. follow the profit *once*. Anything else is merely complexity and greed.

2.10 Capital Gains Tax CGT

A capital gain is nothing more than profit. A person who buys an asset and sells it for a profit must include that in their tax return. For instance, if I buy a loaf of bread today and sell it tomorrow for double, I am a bread seller in the retail industry. If I buy a house and sell it for double, I am in the real estate industry. It forms part of a person's income and is taxed with that. CGT should be abolished and asset sales treated as income tax. In the case of a family home, the profit on a sale can only be taxed if the mortgage repayments are allowed to be a family tax deduction. [These considerations form the underlying premise of a societal model (PIDM) and that is how one can easily determine how advanced taxation should be structured and implemented.]

2.11 Negative gearing

Case Study:

In the case an individual owns a property, is collecting rent and the maintenance costs (mortgage repayments plus maintenance) exceed that, they may offset the loss against their income i.e. negative gearing. This brings about the realisation that a person may have a business, renting, without formally declaring that as a business and therefore the taxpayer is underwriting a business loss of a private enterprise which is not even classified a business. Does the public underwrite a $10Million dollar loss for a department store? No, so why should they subsidise a sector of the property market? Negative gearing is underwriting business losses for the rental market when those businesses are poorly defined and therefore poorly taxed. This brings about the realisation of *"Who brought in this tax and why?"* If it was to stimulate the property market at the time, that would have been a transient circumstance which in no way should have triggered the introduction of a long-term subsidy. The argument that rents would increase to cover the now losses subsidised is baseless. If a property owner is not making a profit from their asset, then it is not a viable profit-making asset. They either raise rents, or leave the market. The first option is said to cause pain for renters however, supply and demand dictate that there will only be a set amount of dollars that renters can pay, there will appear empty rentals everywhere meaning property prices will drop; this is a fear from politicians and economists but a rectification for the struggling first home buyer who is now subsidising people with not their first, but multiple properties. There is always the temptation to assume that things must get bigger or larger rather than fairer and simpler. The subsidy is a complication, another roadblock thrown into the economy without a circuit, it is a whim. Negative Gearing is classed Plutocratic under normalised administration; it forces the single renter to pay for the property owner's losses. If the rent on the single renter is raised to compensate, they leave the property and pure capitalism as supply and demand prevails; automatic regulation is in place and the system remains balanced. This is the logic train that should be employed for *all* taxes highlighting the tremendously short-sighted or biased presence of uncoordinated taxes throughout the entire society, put into place by political parties with interests for themselves and their party stakeholders. Every time an uncoordinated tax or concession is introduced for a specific purpose, it will complicate and imbalance the current system. The appalling realisation of what Negative Gearing (and other concessions) actually is can quite simply be pointed out via circuit plan formal transformation under an advanced governmental arrangement because any tax concession is a tax on everyone else and therefore equivalent to a payment, a payment to subsidise someone else. Payments in advanced government are preferred over concessions because concessions are often euphemisms to hide what the taxpayer is paying for; payments also keep the system unified and simpler rather than having concessions stacked alongside payments.

Figure 5 then comes about because any taxation in an advance arrangement must be funding something and therefore there must be a corresponding circuit plan. Government discounts in the current system merely reduce government revenue from the public service reducing consolidated revenue; tax concessions cause the tax payer to subsidise a sector of the community normally as a business deduction which is equivalent to a tax payed by all other tax payers.

Negative Gearing		
Circuit Plan formal transformation		
Plan name	Incurred loss on property subsidy	
Plan industry	Real estate	Property owners
Plan purpose	Subsidise the losses incurred by property owners	
Administrative classification	Plutocratic	Forces tax payers to pay for property owner's losses
Cost	$1.4Billion (2011-2012)	Variable on total claims
NMP integration	None	Uncoordinated tax from old governmental system (Embedded tax concession)

Figure 5

The actual purpose of negative gearing then in an advanced arrangement would be an Industry Circuit Plan under Real Estate (although this circuit plan would probably have little chance of getting past the public in an advanced arrangement); it would however have to exist in the initial stages of a transition to an advanced government because all policies must be converted to initial plans, no matter how uncoordinated or inferior. Its sister circuit plan then emerges as a property subsidy Figure 5. Negative gearing then is an equivalent industry circuit plan for the property market with its taxation being drawn from a Primary Revenue Circuit funded by the tax payer. As detailed earlier, tax concessions are taxes, they assist only one sector of the community for no overall net outcome and can be charity for the well off or wealthy; net outcomes can only be achieved through properly costed models that are circuited. Increases in one sector of the community increase demand and therefore prices escalate; balances are achieved through supply and demand in concert with regulation. The economy can never be controlled through embedded taxes / concessions; it must be left to find its own level and then taxation brackets reduced on the populations that are being targeted. If a sector is performing exceedingly well, then it is a reflection of the current shape of the society and as long as taxations are in place for that industry, it matters little that that is the case. For instance, a mining boom is a result of the shape of the society; foreign trade, exports etc. the focus merely shifts from what it was; a country is now importing low cost goods which are raising its living standard through cheap accessible technology / consumables while the foreign trader buys raw materials to supply their industry.

In another example, couples are now near fully employed and working long hours to pay off mortgages, the child care industry must boom; again, the shape of the society has changed. We want full employment, but not child care costs to rise…impossible. Governments rarely consider these things; their decisions are based upon elections which force ‘taxes’, not planning. This is why the current governmental arrangement is not able to support a taxation system.

[Without going into detail, advanced governmental models excite the society and cause inflation of areas under that model i.e. attempts by current governments to allocate funding always inflate areas of the society, however they are never done under a model. When a model is employed, it causes balanced inflation and holds the revenue stream to that which again causes inflation (not necessarily monetary inflation) which acts as an amplifier; this in turn pulls the society into its vortex or what is known as Induction. Economic induction occurs under strict conditions of a Primary Revenue Circuit.]

2.12 Company taxes, advanced taxation and revenue distribution

The profitability of companies should be seen as no different than the profitability of individual entities and therefore a progressive company tax should be a part of any fair system. Efforts by countries like the UK to lower company taxes have done nothing to generate revenue or clear their debt even though they are swamped with taxpayers per square metre. Governments prefer to tax ‘things’ rather than industry. **Any tax paying entity in an advanced arrangement is assigned an IST Industry Specific Taxation**. As a starting point, these would all be identical. If for instance the nation wishes to kill off an industry, it simply keeps raising its IST, it doesn’t need to keep introducing embedded taxes, complicated to administer. For instance tobacco companies have an associated tobacco tax which would be abolished in an advanced arrangement and replaced with an increased IST Figure 6.

In terms of a revenue circuit, the load is reduced upon all other industries and put onto the tobacco industry. Similarly an industry can be subsidised by lowering its IST.

IST's simplify the taxation system enormously. They make redundant most of what is causing strife in the current system and underpin an advanced Primary Revenue Circuit. IST's normalise the revenue circuit given industry is the source of revenue. The result is a Master revenue level and individual levels, identical to a sound system with an equaliser arrangement for every frequency, and a master volume level. This would make little difference in the current tax regime because there are still embedded taxes; there are no embedded taxes in an advanced regime, only funded circuit plans on total taxation.

Figure 6

All benefits are plan payments i.e. tax concessions are married to a corresponding circuit plan. Again, this is another aspect which simplifies the taxation system enormously also does it define quite clearly where the society is directing its resources and for what reason; it is transparency (return to figure 5). We end up with an incredibly simple set of stacked circuit plans without embedded taxes, no matter how many industries there are. We need only adjust IST's. Circuit plans are again

distributed over a model (the PIDM) such that the distribution of primary revenue is balanced across it.
The argument associated with high taxes on industry is only relative and most of the time baseless and confusing. For instance, the USA has the highest of company taxes at 40% however Australia has an equivalent with 30% company taxes and 10% GST. There is no argument concerning their equivalency. Other countries worldwide then have very high industry taxation after the inclusion of all taxes. As will be shown later, all taxes are scrapped in an advanced arrangement and a progressive IST as a single tax sees higher taxes as profit increases. The resulting strata would be initially calculated to compensate for all scrapped taxes and then progressively refined as the society experiences the consequences of the system. Figure 6 is a speculative 8 tier tax designed to be customised to include the turnovers of all tax paying entities including sole traders, businesses and companies. Any entity registers as an Industry Specific Entity (ISE) under their industry, except employees; a one-tax system is an advanced arrangement and will not be discussed here.

2.13 Incentives and provisions

Obviously many of the incentives mentioned in the whitepaper equivalently manifest in an advanced arrangement as its circuit plans, particularly industry circuit plans as do provisions for certain sectors of the society, agriculture etc. there is no need for any isolated payments as the root cause of what is being funded is dealt with over the long-term by the circuit plan and unable to be molested by party interests, only public dictate. Emergency provisions in an advanced arrangement are obviously circuit plans and are implemented over the year in their respective area of the model. The most probable arrangement for an advanced government would be to employ an emergency relief fund based upon average considerations regarding catastrophe.

2.14 Growth

The society must not be afraid of changing the shape of, limiting or stopping growth. Large companies create monopolies and dictate terms. A spread of middle or lower businesses is the cornerstone of many economies including Germany. Spreading business across the society lessens the impact of failure and increases connectivity and networking. It causes the utilisation of smaller fragments of the community to maximum effect keeping the societal framework vibrant i.e. small, medium and large veins are all needed in a human being to have it function correctly. A disincentive for growth through the taxation strata then is equivalent monopoly regulation. Large supermarket monopolies in Australia for instance have destroyed primary producers and farmers. Being solely focussed upon profit, they are willing to drive prices down into unprofitability which in turn destroys the quality of Australian food. The dairy industry is a prime example; the desire to have citizens save 5c on a litre of milk is equivalent to sending our dairy industry into unprofitability and in the end, moving to actually import milk or equivalent products which these companies will surely do without second thought. What quality we are exposed to then is another aspect of the

tragedy of capitalistic extremism that is sending sectors of agriculture and production into bankruptcy, and recent examples of disease from imported food should point out our excellent status concerning our produce…at least for the time being.
Other areas of growth do not come free. What one area of a society benefits from under an unpredictable economic overview, another loses out on. Housing is a perfect example as property prices skyrocket, real estate rubs its hands together however retirees suffer the pinch from interest rates being lowered, those who do buy are nearly buying three lifetimes of mortgage repayments and first home buyers are assigned a life of renting…Who is planning for this in our current governmental arrangement?

2.15 GST

VAT's or GST's can be shown to be simply additional taxes in the form of industry tax. They are imposed upon sales or services and therefore represent a direct increase in cost to the business owner which drives down profits by decreasing the profit margin of a product or service due to competition i.e. the increased price due to the tax must be absorbed by the business owner because prices cannot increase against market pressure. As in figure 7, money doesn't magically appear for consumers just because a GST was introduced and therefore, what was a price remains that price under pressure or competition consequently a GST eats into business profit.

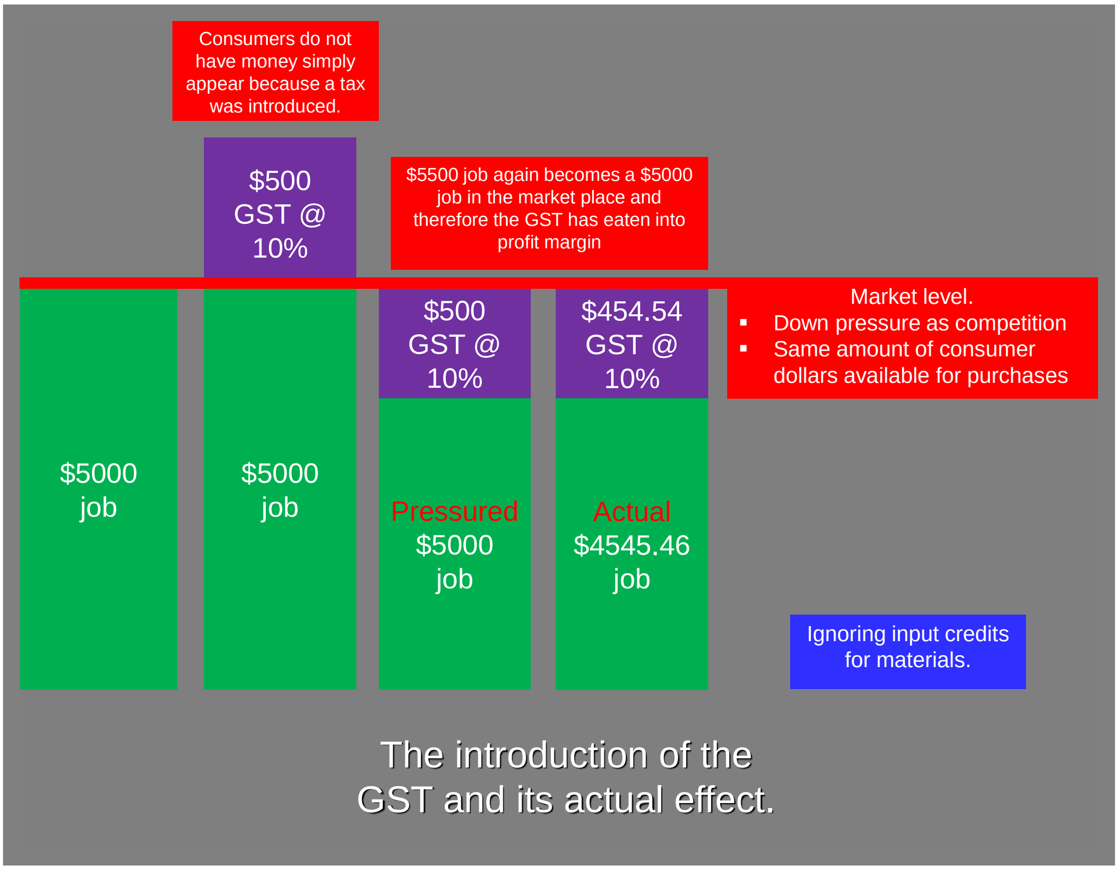

Figure 7

We can make quite clear what these taxes do by exaggeration. If for instance our GST was 100% then a $5000 job becomes a $10,000 job. We can see quite clearly that no consumer will pay that for the job worth $5000; the job stays at $5000 and the business owner takes $2500, highway robbery into bankruptcy. This is what happened to business after its introduction, only on a lesser scale but still because profits are shallow at the best of times, a 10% take inside a normal price, just about wipes out any profit. Private debt skyrocketed after the introduction of the GST in Australia. Any of these taxes then are simply direct business / industry taxes.

VAT's or GST's are big socialist taxes and are for high taxing regimes. They drive down profit; this forces a corresponding increase in worker hours to compensate. They are therefore health detrimental imposing a higher cost upon the health system. The GST, like any tax, was one of the biggest socialist reforms in Australian history outside of compulsory Superannuation and Medicare, by a conservative government as a tax grab. Taxation revenue initially increased dramatically. It has done nothing to increase revenue long-term as the society bore the cost and adjusted or 'sunk back'; currently government is looking for more. An increase in GST will again 'boost' taxation revenue to be again a long-term failure and to be again raised again. **Rule 2**: **Taxes do not raise revenue**. Economists and politicians simply do not understand the revenue cycle. Current economic theory is actually belief, not reality or science.

2.16 Payroll tax

Payroll taxes impose a tax upon the amount of employees or size of workforce / wages and therefore represent the best way to destroy employment and increase a business's efficiency or impetus to automate and eliminate labour. They also provide the impetus to keep wages low and to not reward the astute / productive. They have no perceivable benefit. A simple increase to company or business taxation would compensate with no negative incentive associated with employment. [Payroll taxes like all others are scrapped in an advanced arrangement and an adjusted IST compensates. There is no income tax either and so without going into detail, a business can employ as many people as it likes without any tax increase whatsoever. The IST level remains static and the only increase in taxation comes about if the productivity of the business increases and it moves into a higher threshold. As long as all take-home wages can be covered, the businesses' IST covers everything with all other businesses in the nation.]

2.17 Stamp duties

Stamp duty on property is merely a disguised sales tax on a property unable to recoup mortgage repayments as a tax deduction. The sale of a primary residence should never incur a tax, even in the presence of inflated or appreciated property prices given a person would have to buy back into the same market; if not, it's their appreciated windfall across time. Other stamp duties are comparative 'rip offs', apart from true administrative transfer costs which should be calculated and renamed 'Transfer charge' etc.

2.18 Land tax

Land taxes are not representative of land use and cannot be usefully integrated in any way without State planning. Infrastructure and future development among other things play important roles in development costs associated with Crown land and redeveloped land and therefore land taxes again represent a whimsical uncoordinated grab for tax. World organisation views and current economic theory perennially focuses upon investments and business etc. they never focus upon planning and therefore those views and conclusions are in reality often baseless.

2.19 Gambling tax

If gambling is legal than it cannot be treated as anything other than an industry and should therefore only be subject to the same taxation as any other industry unless the society deems it should be targeted, like tobacco. Being moral can sometimes be no good and therefore we must be careful about how the society is attempting to shape itself and change. Remember, without abolition, behaviours appear in different areas of the society, black-markets etc. and so today, given revenues are dying in otherwise normally profitable areas, gambling is now emerging everywhere to try and fill the hole; television and media etc. Will gambling advertising eventually be outlawed given it is a new advent? Politicians then are struggling in their attempt to juggle the destruction of industry while trying to generate revenue. These things are *political* not engineered. [Only advanced arrangements have IST's or industry specific taxation allowing their rates to be adjusted. The public decides in that case whether that industry should simply have its taxes increased to provide more circuit plan funding. The increase on taxation must be viewed in light of total revenue for an associated industry like Hoteliers etc. and in the end, will limit the industry through unprofitability]

2.20 Mining royalties

Mining is a selective industry that extracts minerals from the Earth under a variety of conditions. What is important in mining is firstly, what it takes to get the mineral out of the ground and secondly, what price one can get for the mineral sale. Business deductions then are important for different mining operations and that is really dependent upon the mineral. Coal is hugely abundant; we can pick it up and throw it into a wheel barrow. Uranium is rare and requires selective mining and refinement. Astatine is the rarest of all elements and hardly able to be acquired. If it costs \$5,000,000 to extract \$100,000 of material then, the operation has made a profit with huge business expenses. These are tax deductable and are therefore payed by the taxpayer however, that is an industry that employs people and buys equipment etc. like any other industry and their business deductions.

The arrangement in place at the moment is reliant upon what is known as mining royalties for extracting them from The State, on top of company tax, these vary for all sorts of minerals; Coal, Gold, Gypsum etc. Royalties are either by quantity mined (Quantum) or by the price of the sale (Ad Valorem). Either way, it can be shown that these can be translated into a set percentage of profit from the mining industry in question. What occurs in an advanced arrangement is that as Mining is stacked alongside other industries in a tiered IST arrangement, Agriculture, Construction etc. so to, the mining of selective minerals are issued their own IST under a different mining industry i.e. Mining (Coal), Mining (Gold), Mining (Gypsum), Mining (Iron ore) etc. They form a sub-group. Depending then upon what business deductions are allowed concerning mining and refinement for each mineral, the tiers of that Industry can be adjusted to produce identical results to that of Mining Royalties. In fact, because there is a tiered arrangement, it can be customised to each mineral which is favourable for marginal operations as opposed to mining of huge quantities at guaranteed prices.

2.21 Federation

The current system of government is a chaotic uncoordinated set of independent governments with no proper hierarchical relation in the first place to even begin to ponder how correct taxation could be applied to it. There is no framework for the correct flow of revenue through the entire system because no system exists. The Federal government exists alongside 8 other State and Territory governments in an incorrect hierarchically levelled arrangement. Taxes then are separate and what is known as Transfers are required from Federal to State, and this is seen as an imbalance (VFI) or incorrect procedure when in fact, it is administratively correct, or at least partially in the directional sense of the word. This results in absolutely abysmal production and management of the country and sees a relative translational efficiency within the hierarchy appear at about 6-7% of total revenue. [Advanced arrangements work off administrative law which has the entire government working as a three tiered seamless flow of revenue from top to bottom and back up again. Correct hierarchical levelling, planning and revenue circuit integration result in approximately a tenfold increase in productivity without extraneous revenue generation techniques i.e. 60-70% translational efficiency.]

3. Conclusion

3.1 Conclusion

Taxes are an attempt to compensate for the overall deficiencies produced by those who implement them believing they possess a taxation system in the first place when in fact they do not. Currently this is not understood by anybody because current economic theory is so inaccurate and confused; it is belief based not science based. When analysing the economy then, there is no way of even identifying an economic system because without realising society is in fact a system first, that cannot come about. An economy is a superimposed system that actually cannot be separated from it; the fact that it is (in current educational paradigms) reflects the very young thinking of our economic institutions and other learned persons in the society, and indeed around the world. Politicians are not included in that group because they have no relevance; they are merely rulers without expertise. Governments change and introduce legislation and taxation totally unrelated to societal cohesion and based upon party belief and design. The attempt by individuals and companies to avoid taxation is justified in light of the terrible state of our antiquated and outdated governmental regime and its disassociated set of taxes.

Politicians are focused upon key issues only, importantly party belief and popularity, not societal engineering. The easiest thing to do then is to assume the logical thing which is *"If we don't have it, get it."* …money. It is therefore conceivable that the only outcome from any taxation review will be to raise the taxation rates which will achieve absolutely nothing:

- **Rule 1:** Raising the level of taxation will never clear a debt**.**
- **Rule 2**: Taxation systems do not raise revenue.

As shown earlier, both of these are evidence based worldwide.

Australian living standards remain amongst the highest in the developed world and that must be because of our current status and so the age old adage of *"If it aint broke don't fix it"* rings loud as too many politicians keen to force their agendas in their terms try and 'fix' our country. Instead of looking to the rest of the world to 'fix our problems', perhaps the rest of the world should look to Australia as a shining example of a balance we are transiting arrived at through a backward combative system of government, seen in many countries around the world, now able to destroy that balance through the same process, and decide why it is that we are so successful even though as has been pointed out, we are in no way a reflection of other countries around the world, in fact, modelling off Australia may be disastrous for any other country, and vice versa.

Politicians are spouting *"We want a simpler and fairer tax system"*, but they don't want it to be simpler and fairer. **Rule 9**: **Earnings are only taxed *once***. And therefore against all of the reason and belief of economists and politicians world-wide, **an advanced taxation system can accomplish what no other set of uncoordinated taxes can, with only one tax, and, ten times simpler**.

All taxes and concessions in advanced government are scrapped including GST's and income tax and a straight Industry Specific Taxation applied which is able to cope with all of the necessities of a society including those that currently exist such as superannuation and health schemes.

Taxes or their levels aren't the problem, they never are, the problem is more fundamental, it is the governmental system.

*   *   *

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4. Appendix

4.1 Flawed world economics

We all agree then that many accepted truths in current economic theory are actually myth i.e.

- There is no authority worldwide that has a solid or correct definition for revenue.
- All authorities worldwide generally agree that the points at the start of this review are indeed reality, but we can show through evidence that they are indeed myth.
- Governments everywhere are talking about generating government revenue which is just a blatant indication that they too are clueless with regard to what it actually is i.e. governments don't generate revenue; taxes don't either. You don't rob somebody then say that you are generating revenue; similarly you don't tax somebody and then say you are generating revenue either…it appears as though no economist worldwide knows what revenue is.

Let's talk about fact rather than fiction, truth would be better; if we can talk truth, then we have a science, if we have a science, then we have a law, if we have a law than anybody worldwide can employ it with success.

4.2 Advanced taxation arrangements - summary

1. Government is scrapped in its current form and operated as a three tiered seamless administration overseen by Public Dictate
2. Politics is scrapped in favour of the administration of plans with funding levels decided by public democratic vote
3. All taxes are scrapped i.e. the entire tax 'system' is wiped clean

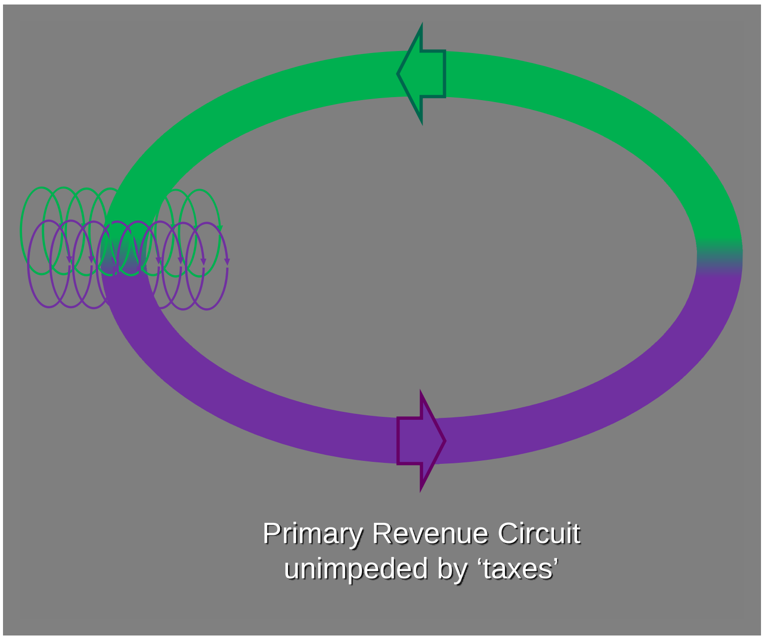

Figure 8

4. One tax is administered upon a revenue circuit normalised to industry

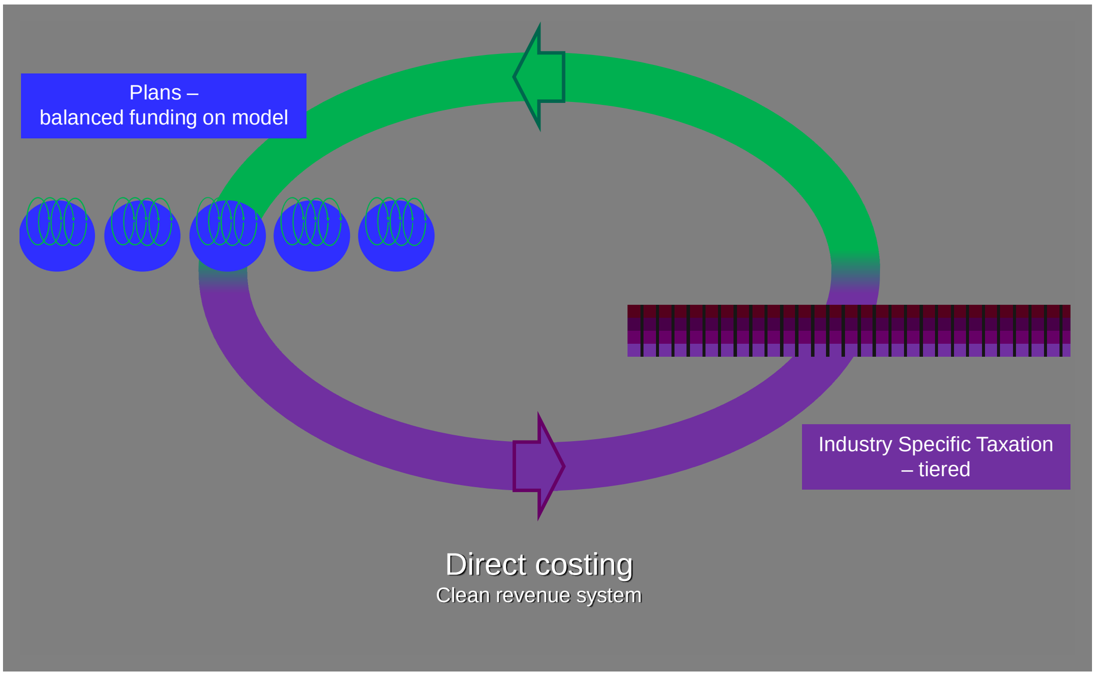

Figure 9

5. Control is administered via tiered Industry Specific Taxation (IST)
6. Business deductions remain however there are no uncoordinated tax concessions; any benefit or concession must have a circuit plan.
7. There may only exist circuit plans upon the revenue circuit which fund any desired aspect of the society that The People desire, or that The People *allow* to be enacted if the administration forwards any as internal proposals.
8. The revenue circuit must be balanced every year i.e. all wage / salary earners, and industries generating a profit, are billed for any deficit at their share of national taxation (normally this will be slight). Similarly any surplus is returned to all wage / salary earners, and industries generating a profit, at their share of national taxation (income taxes are not needed).
9. The alternative decision to raise / lower taxation or cut / increase services in the event of a deficit or surplus lay with the public, or the internal administration acting on behalf of The People, overseen by Public Dictate.

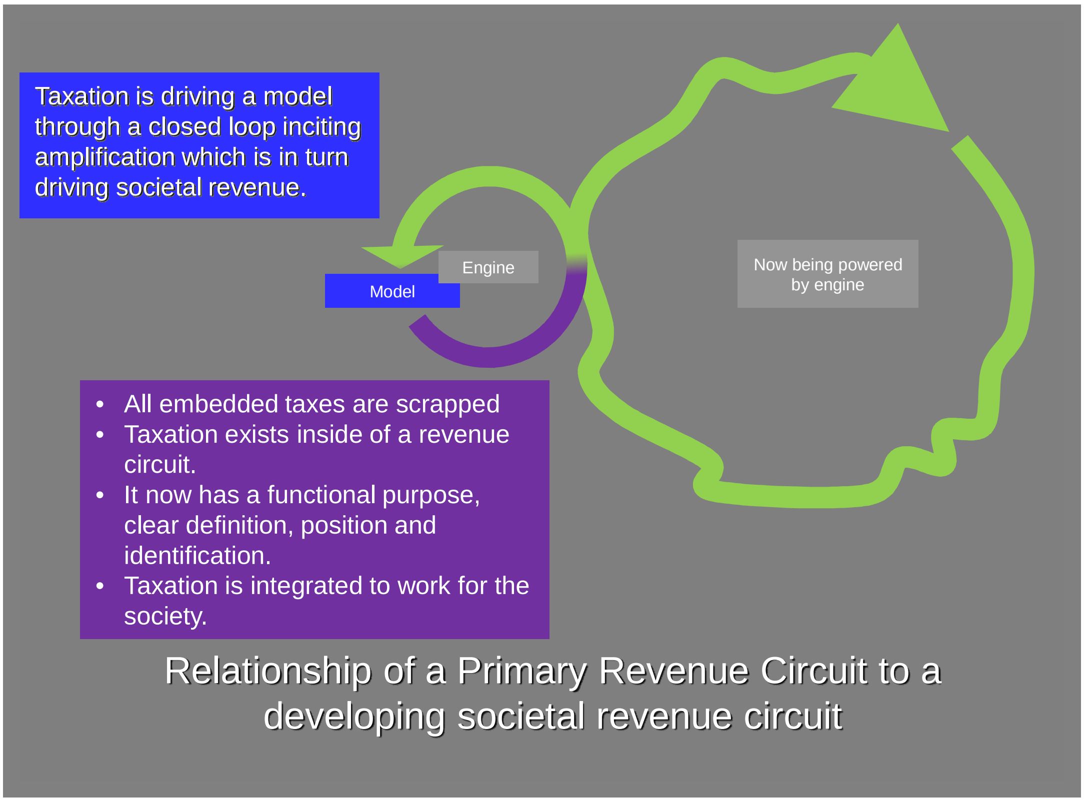

Figure 10

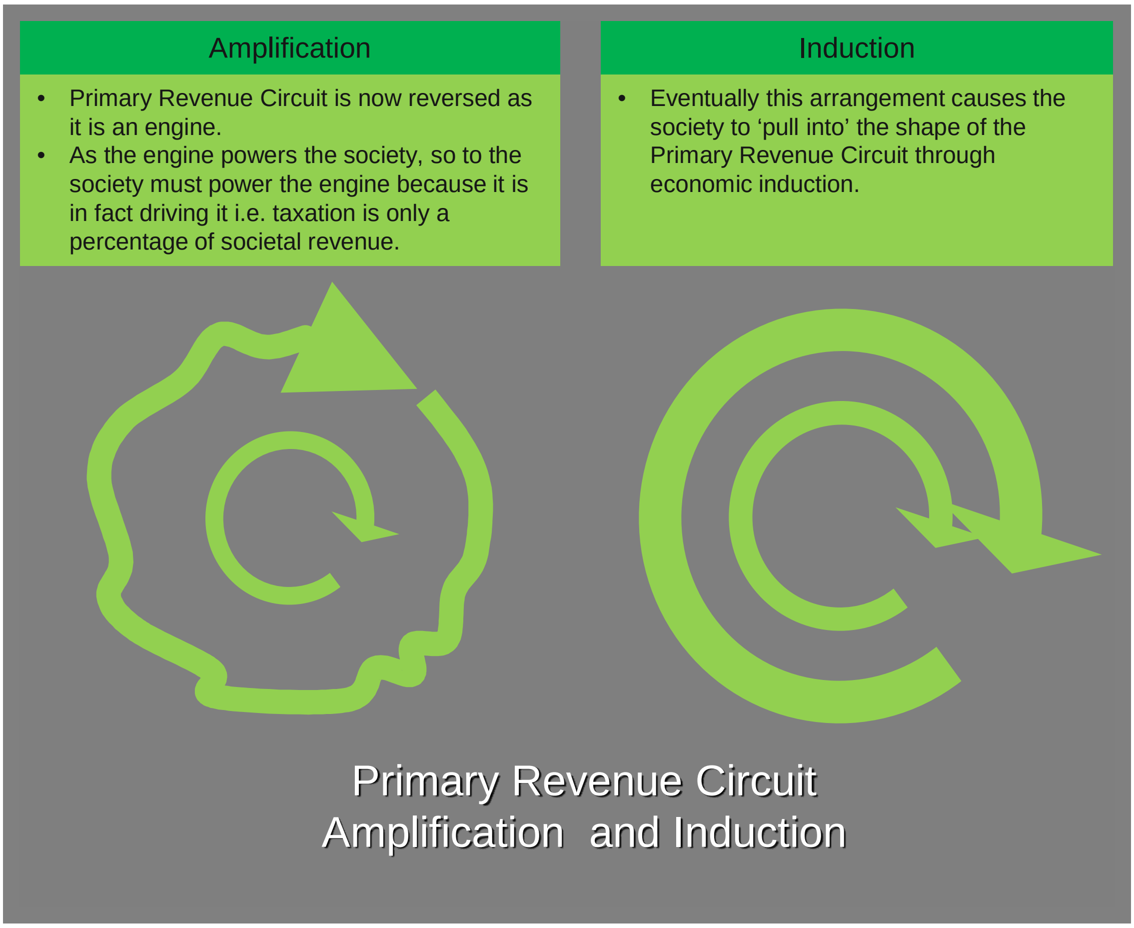
Amplification
• Primary Revenue Circuit is now reversed as it is an engine.
• As the engine powers the society, so to the society must power the engine because it is in fact driving it i.e. taxation is only a percentage of societal revenue.
Induction
• Eventually this arrangement causes the society to 'pull into' the shape of the Primary Revenue Circuit through economic induction.
Primary Revenue Circuit
Amplification and Induction

Figure 11

5. Glossary

PRC – Primary Revenue Circuit: The combined total revenue of all circuit plans.
Circuit Plan: Method of distributing revenue within the community formed as a plan integrated with all other possible circuit plans, and directly costed within the Primary Revenue Circuit.
NMP - National Management Plan: The integration of all circuit plans to affect greater societal cohesion and progression.
PIDM – Primary Integrated Dimensional Model: Independent modes of behaviour for a citizen used as a basis for the distribution of the Primary Revenue Circuit.
IST – Industry Specific Taxation (level): Adjustable taxation rate for every individual industry, normally level.