



TAX FORUM

4-5 October 2011

STATEMENT OF REFORM PRIORITIES

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ORGANISATION

Left Right Think Tank – Australia’s independent, non-partisan think-tank of young minds.

STATEMENT OF PRIORITIES

A tax system should not simply be the means to an end for the raising of revenue, nor the domain for political point scoring. Instead, Australia’s tax system should be utilised for the purpose of shaping Australia, ensuring economic prosperity through the efficient allocation of resources and public goods.

Policymakers have concerned themselves far too much with projecting where our economy is going. We have concerned ourselves with *moving forward* and looking to the future without actually looking at what we want to achieve or where we will end up. True reform of our tax system will look to ensure prosperity for future generations and to leave them with a platform from which they too can reform.

The architecture of our taxation system is the heart of its current inefficiencies. We have lost sight of the basic structure and purpose of our tax system. We need to draw ourselves back to the norms and values on which our taxation system was built. Ultimately, a reformed tax system should serve present and future generations with ongoing increases in the standard of living, productivity and sustainable growth.

This is an area in which Government and Opposition parties have failed to properly address and demonstrate true leadership. The collection of inefficient and archaic taxes that weigh down the Australian system result in a critical arm of Government being overlooked by the majority of its citizens. Like any financial product, a tax system should engage and respond to its investors. As investors, we have a right to a fair and functioning tax system that is transparent and accountable.

The current ad-hoc process of tax reform needs to be reset with a clear vision for our future. When governments have attempted long-term policy reform, they have been criticised and condemned for their actions, both from within and outside of their own party. What is required is a policy environment that encourages and supports long-term policy reform. Our current environment does not support such actions. While the commissioning of policy development like the Henry Review is visionary in its intentions, the reaction to and implementation of strongly researched and heavily consulted recommendations has been at



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best underwhelming. Ideas, vision and reform should not be treated with contempt.

Left Right Think Tank supports the following principles for tax reform:

- The need to lock in our current prosperity for future generations to build upon,
- The need to remove inefficient and archaic taxes and look towards smarter ways of meeting our revenue requirements,
- The need to simplify our engagement with the tax system,
- The need to move towards taxes based on usage and not on access,
- The need to increase our savings to meet our growing need for infrastructure and nation building,
- The need to increase our personal savings to decrease our future dependency on government and,
- The need to look towards smooth, sustainable growth and minimise economic volatility.

Both sides of politics accept the majority of these principles. Where the disagreement occurs is in their implementation and execution. The bigger issue however, is the conversation. It's the conversation we're not having with ourselves. The current level of prosperity we find ourselves in is due in part to the mining boom, a result of finite demand for finite minerals. With discussions of multi-speed economies and the way in which we use our resources, we must harness the potential of these industries and not squander the opportunities they present. Likewise, the realities of trade have led to changes in the composition of our economy and protecting selective interests and industries should not hinder such changes. While we must not dictate the terms on which individuals and companies spend their wealth, we must ensure that the fraction that is collected from them is utilised to maximise social outcomes.

Left Right Think Tank gives in principle support to the following reforms:

- **The restructuring of the personal income tax scale,**
- **A reduction in company tax rates to 25%,**
- **The increase of superannuation contributions to 15%,**
 - Restructure and simplify superannuation administration and tax structure.
- **Explore options for the establishment or repurposing of existing bodies into a sovereign wealth fund,**
 - Includes reviewing the role of the Future Fund
- **A move towards congestion based road charging,**
 - Partnered with a reduction in registration charges and the elimination of Stamp Duty
 - Adoption of Left Right's policy recommendations
- **The introduction of an independent budgetary process,**
 - Through amendments to the Charter of Budget Honesty Act 2011 & Parliamentary Budget Office Bill 2011
- **The elimination of inefficient and archaic taxes and,**
 - Includes the standardisation of State administered taxes.
- **The simplification of tax administration.**
 - Pre-fill and set deduction options



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- Reduction in business compliance costs

The conversation we need to have is about setting ourselves on the right course; re-examining the purpose of our taxation system and its original purpose and refurbishing it for a modern society. While we can't predict where we will end up with perfect accuracy, we can predict where we want to be. Through these conversations and the ongoing support of well-researched, evidence-based policy making, we can achieve a system that supports investment from business, increased motivation to participate in the workforce and meet the needs of a growing society.

LIST OF ATTACHMENTS

Feel free to attach supporting papers if you wish. Please list them here.