



TAX FORUM 4-5 October 2011

STATEMENT OF REFORM PRIORITIES

PARTICIPANT NAME AND POSITION

Mark Carnegie

ORGANISATION

MH Carnegie & Co

STATEMENT OF PRIORITIES

Next week’s tax summit has the potential to be a defining event for our nation and our economy. My expression of interest for the summit said that ‘If tax reform meant that those of us who have been lucky enough to acquire some wealth had to make a bit more of a contribution for well considered policy changes, that would be a success not a failure for the summit.’ Given the global tide for the rich to pay more tax, I will not be Robinson Crusoe in this regard.

However we need to get it right next week and then we have a rare opportunity to add to national efficiency and fairness for generations. If we don’t, we will do nothing more than add to the national disenchantment with our political and social institutions.

In a climate of poisonous political relationships and with the drums of international economic doom beating in the background, it will not be easy to develop consensus around a program of sensible, achievable and hopefully innovative tax reform. But we have to try.

I am going to Canberra determined to remain optimistic and positive. I will take some ideas, an open mind and a willingness to listen to and work with others. And, of course, some principles that have guided me through my working life.

I have for some time believed that the Australian taxation system is tilted a little too much in favour of the upper end of income earners. I was an early convert to the theory that those of us who had been fortunate enough to acquire some wealth should be prepared to pay a little more tax. I should make one thing clear here; I’m not anxious to pay more tax. Certainly, I don’t want to pay more just to have it wasted and I definitely don’t want to pay more and have others dodge their responsibilities. However, I can’t avoid the reality that those of us in the top bracket can afford to pay more with little or no impact on our lifestyles, and fairness dictates that we ought to.

Australian Bureau of Statistics data tells the tale: the wealthiest 20 per cent of households have seen their average household net worth grow from \$1.4 million and 59 per cent of total household net worth in 2003-4, to \$2.2 million and 62 per cent in 2009-2010. The rich are



TAX FORUM

4-5 October 2011

doing fine and could comfortably do a bit more to help out.

A growing number of our business leaders are declaring that Australia needs to use the prosperity it has built from both the hard work of economic reform and the good fortune of the resources boom to plan for the future of the nation. They are proposing that we establish a sovereign wealth fund.

I think they are absolutely right. The money that would be in a sovereign wealth fund needs to be independently managed and ring fenced from raids by a future government in search of money.

I propose that we should marry these two thoughts. The rich should pay more and that money should be used to establish a sovereign wealth fund. The money we, the fortunate ones, pay to establish this fund we won't miss much, and our kids and grandkids will prosper greatly from it.

My proposal is simple; that the top 15 per cent of taxpayers pay 15 per cent more tax as a sovereign wealth fund levy. There is a mountain of analysis and statistics between the idea and a viable policy but I am certain that bringing the two ideas together can lead to a really worthwhile outcome for the nation.

We may need additional indirect taxes, we may need a bequest tax, family trust reform or, horror of horrors, a cap on negative gearing deductions. I hope that the summit and the Government's advisers would be prepared to investigate the how and the when of the proposal. But, ultimately, the big end of town is calling for the sovereign wealth fund, so we should be prepared to pay for it.

The approximately 900,000 households in the top 15 per cent of Australia saw their average net worth increase by about \$800,000 between 2003/4 and 2009/10. That means that the increase in the pool of prosperity that the rich have obtained from the nation in six years is over \$700 billion. Surely it makes sense for us to invest some part of that in the future of the nation that made us wealthy.

LIST OF ATTACHMENTS

N/A