

General Suggestions For Tax System Reform (a personal view)

(1) Capital Gains Tax

At the present I think this tax is unfair as it taxes inflationary gains as well as general capital gain. I would suggest that the system reverts at least in part to allowing for inflationary gain. EG My wife purchased a block of land about 25 years ago with a view to retirement on the block. Now we probably do not want to retire at that location but with GGT + selling + buying costs we cannot afford to sell and re-purchase largely due to tax on CPI type gain.

(2) Negative gearing

With three children we suspect that it is quite likely that any of them will be able to enter the housing market – given house price to income ratio and the impact of HEX burden. I would suggest that the application of negative gearing to the existing housing stock should be eliminated or at least constrained. For example (a) negative gearing limited to first investment dwelling only, (b) tax savings limited to a lifetime total say \$75,000 or (c) to offset no more than 75% in tax payable in any year. The above may need a phase in to avoid “shock to the system”

Negative gearing is probably quite good for building new housing, business etc.

(3) Diesel Excise Rebate

I believe this should be capped so the benefit mainly flows to the smaller operators as large operators are likely to have bargaining power to get lower prices from distributors. Good rebate to help regional areas in general, but perhaps should look at the tax data and cap rebates at the say 95 percentile of annual rebate over all who claim. This way every entity gets some rebate but the top 5% capped. There may be other rebates that could be treated in the same manner.

(4) Automation and Robotics Impact

If we look to the near future when robotics and automation take perhaps 40% of current jobs I think it is very unlikely that more than half job losses will be compensated by new economy jobs. How will revenue be raised to compensate for loss of payee income especially given aging population as well? I suspect that this will be impacting the economy and social systems much sooner than we imagine. Do we need a robot/autonomous system tax (start very, very low with slow but exponential increase – do not want to hit productivity in development phase). A tax on internet traffic, installed computers? We may need to be creative!.

(5) Carbon tax –

Actually I suspect this is a good idea that was poorly implemented – should have started at \$2.30 / tonne not \$23.00 and with no rebates except to pensioners. Low start, with an annual ramp + CPI. Ramp in rate related to distance to target, if ahead of emissions trend tax reduces, if emissions not falling fast enough an increase in the rate of increase.

(6) Tax on earnings of multi nationals

Good to see a start on some action in this area – perhaps total tax for these entities should be at least (Australian rate – Incorporation country rate) to avoid tax shifting but avoid double taxing.

(7) Death Duties.

Perhaps it is time to consider death duties on the richest say 5% of the population. This is a way to reduce the excessive concentration of wealth that makes society a poorer place- while not discouraging activity. I would suggest that tax would cut in at perhaps \$10 million at a rate of perhaps 5% increasing to perhaps 30% by \$50 million. Periodic CPI adjustment needed to family would not need to sell the farm or small business. May be tricky in regards avoidance by family trust mechanisms.