Submission To
Tax White Paper Task Force
Treasury

By

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This submission is forwarded to the Tax White Paper Task Force, Treasury, in response to the Tax discussion paper March 2015 and to provide support of the tax reforms as proposed by the Australian Taxation Reform Group Inc. (ATRGInc.).

The current system of taxation has not only become far too complex, particularly since the introduction of the GST, and is becoming more so as time passes, but also provides for an unfair system of taxation between the few and the rest; i.e. the top end town and investors, the minority, which profits from huge tax breaks and concessions thereby being better off, and the rest of society, the majority, which pays the most amount of tax thereby being worse off. This only creates a shift in the tax burden as a result from which only a minority benefit. This system must be addressed and corrected if there is to be a simpler taxation system with a fair and even playing field for all. Also, maintaining tax records is time consuming and costly for both government and business and as taxation becomes more complex, so do related costs increase which affects budgets and profit margins. As such, taxation reform is now urgently necessary if Australia is to have economic certainty and stability in the future whilst meeting it's financial obligations. Without the type of taxation reform that is to have positive benefits for all, the possibility of future generations being subjected to a lifetime of ever increasing taxation slavery is very real.

However, this need not be the case. We don't need more taxes, increased taxes for some and less for others or a broader tax base that allow for future increases. Instead, the entire system of taxation must be reformed in such a manner that ensures everyone, from the unemployed to the highest earners in the country, would pay their fair share, equally. This can be achieved through the introduction of a very simple yet effective system of taxation, as proposed by the ATRGInc., which would not only eliminate the complexities of and confusion with the current taxation system but also provide a fairer system of taxation with an even playing field for all. The result would be positive benefits for everyone, a stimulated economy with economic stability and certainty without the government having to resort to introducing economic stimulus policies which affects budgets, borrowings and ultimately taxation.

The system proposed by the ATRGInc. is for the introduction of an E-control Tax System that would replace all taxes, including stamp duty, currently in place. The system proposed involves a 1% electronic transaction tax, excluding deposits into an account, for any amount withdrawn from any financial institution or superannuation account, including for account transfers, whether the account be for personal or business purposes. As accounts with financial institutions and superannuation providers are now electronically maintained the introduction of such a system would be relatively simple and require little time to implement. For full details of the proposed system please refer to the ATRGInc. submission.

Other aspects that the proposed system would affect, and that weigh heavily on the tax system as significant problems, as a direct consequence of the current tax system, are tax avoidance and the "black economy". The administrative and legal costs involved for government in addressing tax avoidance is substantial and ultimately the taxpayer pays for this. As for the "black economy", this is thriving better than ever since the introduction of the GST which many consider as just another form of legislated theft. The system as proposed would eliminate these overnight as any withdrawal from an account would attract the 1% electronic transaction tax. Simply, there is no escaping paying the tax.

Currently there are numerous avenues available that would attract the tax that do not currently attract any form of taxation apart from stamp duty. Some areas that would attract the tax under the new tax system include:
Direct debits for:

- Insurances such as:
  - Health;
  - Home/building;
  - Contents;
  - Vehicles, caravans, boats and other marine craft;
  - Life and/or accident.

- Memberships and subscriptions;
- Bank loans:
  - Home mortgage loans; and
  - Personal and business loans.

- All in-bank transactions for withdrawals and transfers except for council rates;
- All stock exchange transactions;
- All electronic transactions by debit/credit card for withdrawals and transfers except for council rates; and
- All investment transactions for funds withdrawals and transfer.
- Religious groups.

Charity organisations should remain exempt as they are not for profit and provide a necessary service to those experiencing financial or other types of hardship.

Some factors that would benefit small business are:

- The requirement to maintain detailed expenditure records for GST, stamp duty and tax accounting purposes, such as quarterly BAS returns, would be eliminated.

- The only accounting records required to be maintained would be profit and loss accounts and balance sheets. This would significantly reduce accounting record keeping, time and costs, thereby allowing resources (time, effort, energy, costs etc.) to be directed towards other matters, whether that be business or personal.

- Introducing the proposed tax system would provide an opportunity for new and expanded manufacturing through out the country. Existing manufacturing would benefit through lower costs of raw materials with an increased capacity to meet commitments which would have a positive flow on effect for not only the business and owner/s but also the end user/consumer.

- Imported goods would no longer attract import tax and as a result wholesale prices would be reduced enabling:
  - lower retail prices would make items more affordable resulting in higher levels of stock turnover through increased sales;

  - additional funds would be available for:

    - a moderate increase in existing stock levels;
    - expansion of the business by gradually introducing new stock lines;
    - additional business opportunities to be considered;

  - higher profit margins;
  - the prospect for employment opportunity;
  - insurances costs would be further reduced as stamp duty would also no longer apply, which would result in considerable savings for those with extremely high insurance costs or experiencing financial hardship.

- A percentage of any additional cost savings could fund a superannuation retirement plan which may be difficult, if not impossible, to do so under the current tax system when age pensions are considered.

- The cost of taxation and financial red tape to farmers would be eliminated forever resulting in a more economically viable and sustainable agri-business and financial position that would benefit not only their local districts and regions but also the country as a whole.

- Foreign investors would no longer have the unfair luxury of what is commonly perceived as a tax free or taxpayer subsidised haven as they currently enjoy. They would have to pay their way.

- Regarding age pensions and welfare. Although age pensioners, and those caught up in the welfare system, don’t pay income tax, they do however pay GST and stamp duty, so the argument could be proffered that technically a contribution is made towards their benefits. Under the current taxation system, these groups are perceived, unjustly, by a considerable number people as being a drain and burden on the tax system. Unfortunately, what most don’t know, or have forgotten, is that from 1946 to 1950 every working person compulsorily paid 7.5% of their wage or salary to a pension trust fund which was shown separately on taxation assessments to the general revenue collection. This system was dismantled in 1950 from which time the contributions were then included with general revenue collections, and still are. Successive governments have since that time continued to dismantle the system by repealing various legislations in order to hide this fact. Therefore, all age pensions are still being basically “self funded” with continued contributions which are included in the general revenue amount of taxation collected. Introducing the proposed tax system would also destigmatise age pensions, as, by paying the required amount of tax upon conducting a withdrawal or purchase they will in fact be supporting themselves. As for those who depend

on the welfare system, they too will actually be contributing towards receiving benefits when conducting withdrawal or transfer transactions.

- Regarding Council Rates. Because council rates are considered a tax, consideration should be given as to how any financial institution transaction, electronic or otherwise, would be exempt from paying the 1% tax where a payment is made for council rates, particularly through direct debit facility. To include the 1% tax on any transaction for the purpose of paying council rates would be placing a tax on a tax which, in theory, can not occur.

These are just some samples of business, economic and employment aspects to be considered for introducing the tax system as proposed by the ATRGInc., particularly in small regional towns where unemployment is high with few, if any, employment prospects available where a fragile local economy exists and in which local small businesses and farmers continually rely heavily on each other for support. The introduction of such a tax system would benefit not only small business and farmers alike but everyone, with a real opportunity for employment to be created with a very real potential for continued growth.

Unfortunately, the current pernicious system of taxation does not accommodate for any of the above but instead only places further financial burden and constraints on farmers, small business and individuals, which has a detrimental affect on primary industry, stifles manufacturing and the economy whilst providing little incentive for individuals to enter small business at any level, whilst the top end town reaps the rewards, cake and cream through huge tax breaks and concessions. Introduction of the tax system as proposed by the ATRGInc. is the answer to all the questions raised in the Tax discussion paper of March 2015 and would benefit every farmer, business, individual, state, the country as a whole, the economy and, as the discussion paper states, provide a tax system to build jobs, growth and opportunity — a better tax system to deliver taxes that are lower, simpler, fairer.

Thank you for the opportunity to provide input into this important topic.

End of Submission