

Submission to Tax White Paper

GST

51. To what extent are the tax settings (that is, the rate, base and administration) for the GST appropriate? What changes, if any, could be made to these settings to make a better tax system to deliver taxes that are lower, simpler, fairer?

54. To what extent does Australia have the appropriate mix of taxes on specific goods and services? What changes, if any, could improve this mix?

5. What parts of the tax system are most important for maintaining fairness in the tax system? Are there areas where fairness in the tax system could be improved?

Basic necessities

The current GST rules rightly exempt basic necessities of life such as health expenses, disability aids, fresh food, rent, education, childcare, water, sewerage and drainage from the GST. I would support these goods and services remaining exempt for the purpose of maintaining fairness, as noted in Question 5. If the GST base ever were to be broadened to include essential items, I would doubt that the amount of compensation given to low income households would be enough to cover the increased costs either in the short term, or especially over time. This has been evidenced by the long-term inadequacy of the small amount of compensation that was paid when the GST was first introduced.

Fresh food review

I support retaining the exemption for genuinely fresh food, however, I would like to point out that some of the products that benefit from the exemption may not meet a layperson's definition of "fresh food". The detailed food list located on the Australian Tax Office website¹ currently lists the exemption as applying, for example, to cake and biscuit mixes, fish fingers, jam, jelly products, fruit leathers, golden syrup, ice-cream mix, margarine, meringue mix, milk flavouring straws, packet noodles and sauce mixes. While I don't agree with the exemption being removed from genuinely fresh food items such as vegetables, meat, cheese and eggs, I wouldn't consider the products listed above to be in that category, nor do I think it would be difficult for the government to convince the general public on that point.

I would suggest therefore that a review of the criteria used to determine fresh food status may help to raise more tax revenue, without adversely affecting the price of essential food items. Adding a simple clause to prevent the exemptions from being applied to any products containing food additives would be one way to improve the quality of the list, as the presence or absence of food additives would probably be a critical part of most laypeople's definition of fresh food.

To reiterate, though, fresh food should remain untaxed. If anything, we should be adopting measures to lower the high cost of fresh produce, not trying to increase it further.

¹ <http://law.ato.gov.au/atolaw/view.htm?docid=GII/GSTIIFL1/NAT/ATO/00001>

Bank Deposit Tax

18. What tax arrangements should apply to bank accounts and debt instruments held by individuals?

23. What other ways to improve the taxation of domestic savings should be considered? How could they be applied in the Australian context?

5. What parts of the tax system are most important for maintaining fairness in the tax system? Are there areas where fairness in the tax system could be improved?

While not included in the discussion paper, I would also like to comment on the bank deposit tax which the government has recently proposed. My understanding of this tax is that it would be levied on all bank deposits, including pensions and wages, and possibly also on transferring money to and from other savings accounts? If that is correct, then I would question whether it meets the fairness principles mentioned in Question 5, given it is essentially equivalent to introducing income tax for pensions and for wages below the tax-free threshold. Even at a very low rate, I don't think that would pass the fairness test unless the tax is fully refunded for Centrelink benefits and for wages under the threshold. As with my comments on the GST, compensation payments to pensioners can't be relied on to counteract the full effect of this tax, and especially of future rate rises.

Complexity and privacy

61. Could administrative responses — such as embracing technology, harnessing data and taking the whole-of-government approach to administration — help address the issue of tax system complexity?

66. Would the benefits of releasing more tax data and detail around costings outweigh the costs?

Just a word of caution here that any measures to reduce complexity, especially involving data usage, shouldn't come at the expense of privacy. The discussion paper raises the possibility of releasing de-identified data, however I would suggest that only aggregate data should ever be released due to the potential for inadequate de-identification of data relating to individuals.

Reducing complexity is clearly one of the main objectives of this review process, and I note that approximately a quarter of the questions in the discussion paper in some way refer to that issue, so any related privacy issues need to be carefully considered.

Thankyou,

J. Davies.