TAX REFORM DISCUSSION SUBMISSION

UNDERLYING PRINCIPLES:

This response to the request for public submissions on the Australian Taxation system is motivated by the conflict that governments face in setting public policy. It is quite apparent that non-elected entities place considerable pressure on governments as all levels to achieve their priorities often at the expense of the voting population. These non-elected entities often pay a large, though not always fair, amount of tax and as a result can apply considerable pressure.

ONLY TAX INDIVIDUALS WHO EARN INCOME FROM THEIR EFFORTS IN AUSTRALIA

In our society individuals can and do earn vastly differing incomes from their labours. All however benefit from the social services and capital that are a part of our country. The cost of maintaining a safe and secure society and of generating the infrastructure necessary for all Australians to create wealth should be born progressively.

ALL TAXATION SHOULD BE PROGRESSIVE

There is no doubt that Australia has a range of taxes generated by all levels of government. Some of these taxes serve a social good such as taxes on alcohol, tobacco and gambling. Other taxes represent a hangover from times past and systems that are no longer relevant. In any case duplication of tax setting and collection represents additional costs and confusion.

HAVE ONE TAXING AUTHORITY THAT SETS LEVELS OF TAXATION AND COLLECTS ALL TAXES

Business activity drives our economy. Fostering business to be active is a topic that is a feature of some currency. Equally business entities should not be able to exert undue influence on the actions of governments. As a country that is firmly committed to free enterprise the only role of government in relation to business should be to ensure that the welfare of Australians and other individuals who pay tax is protected against unlawful activities.

AS NON-VOTING ENTITIES, BUSINESSES SHOULD NOT BE TAXED NOR ENTITLED TO ANY ASSISTANCE IN UNDERTAKING THEIR PURPOSE

The determination of expenditure priorities must reflect the wishes of the electorate as reflected by their elected representatives. All levels of government should be able to prepare submissions and expenditures in advance as a measure of good governance. Tax collection should reflect this.

THE LEVEL OF TAX COLLECTED SHOULD REFLECT PLANNED EXPENDITURE AND ADJUST ACCORDINGLY

A BRIEF EXPANSION OF THE PROPOSAL FOR CHANGE

The government of Australia should be single minded in its purpose and actions. It must also be transparent and open to the people who elect it. Those people may come from diverse backgrounds and have personal objectives. However, their collective desires, as reflected through voting, give guidance to government. There is no role for non-elected entities in this process. This should be reflected in our taxation system. The expectation of being able to levy taxes and not expect that enterprises who pay them will demand representation is foolish and unfair. Equally to require an entity to perform work on behalf of the government and not to be recompensed is similarly unfair. At the heart of this is the proposal that tax is levied against the earnings of individuals and in the interests of openness, that tax should be a direct tax.

If an individual is able to be recompensed handsomely it is because they possess abilities that are valued highly by society. It is also the case that they achieve their just reward because of the conditions that society provides. It is entirely appropriate that they should contribute to that society at a level that reflects the benefits being a part of a society brings to them. Progressive taxation is just and essential.

The ‘Re:think’ discussion paper provides useful information on the current Australian taxation system. It also demonstrates the duplication and complexity that currently exists. This proposal asks that there be one tax collection body for Australia. For this to be effective all levels of government would have to prepare submissions that reflect the desire for progress, infrastructure and services of the peoples who elect them. It would be the task of the federal government to balance the competing requirements against their estimation of what tax payers are willing to pay. Tax levels, within a progressive scale would vary from year to year to meet the commitments their representatives feel are appropriate.

If a business exists to facilitate commerce it is playing a valuable role within society. In the free market there is no need for government to interfere other than to ensure that the rights of individuals are protected and the good of the nation is not impinged upon. If this is the case there is no reason to tax business. This includes any tax on the value added to a product. Equally if a business acts to gather resources and not distribute these to shareholders, workers or suppliers they are not acting in the interests of the nation. At the end of a financial period businesses should have committed all receipts to shareholders or to the expansion of the enterprise. Should there be funds remaining after this accounting it is in the interests of the economy that they be taxed at a considerable rate and the benefits distributed for the good of society as a whole. This would represent a considerable incentive for enterprises to re-invest and not hoard resources that could benefit all if they were circulating within the economy.

The final point relates to the natural resources of the nation. I would dispute that they are the property of any particular level of government in our federal system. As these are finite it would seem appropriate that elected governments should make decisions with the aim of maximising the realised value of these natural resources. Individuals or business entities may be entitled to charge governments for the work they undertake in extracting or realizing the resource but the resource itself remains the property of the nation to be utilized in the nation’s best interests.