Help me understand this please.

Below is a simple example of how outsourcing is killing this economy. Run the numbers on a larger scale .... say Westpac for example.

In 1985 Westpac Staff numbers were over 60,000, now that figure would be going close to less than 20,000, but the bank would b 100 times larger in size and only getting bigger.

How much does Westpac claim each year as a tax deduction by contracting services overseas to have work done here? Would it be several million, several hundred million or several billion? This is just Westpac, but what about CBA, NAB and ANZ?

Can a local bank compete in this field..... well no, they can't due to economy of scale and decentralised nature of their business.

Bangaroo Casino is another fine example of outsourcing bleeding this economy. Packer has employed the services of an architect firm in the UK to design the casino and I'd say at a cost of several million. Forget about the tax deductions that Packer will be able to claim for his trips to the UK, but what about all of the jobs lost here in Australia from that one job overseas.

We can't take a client to lunch and claim it as a tax deduction(Sec 8-1(2) (b)), even though that lunch could generate thousands in new revenue, but Westpac can close whole departments and have them operated from outsourcing centres all around the world and claim this as a tax deduction. Can you see the stupidity here? Maybe Section 8-1 (2) (e) could be created "it is incurred from an overseas entity and the same or similar service is provided in Australia".

This email will fall on deaf ears and at best there will be some type of letter back saying thanks saying nothing can be done about it, but if you actually think that what I'm saying makes sense and something can be done about it, then I have more ways to improve the taxation system to not only increase revenue but also productivity.

Economies today are driven by corporations, managed by executives, controlled, regulated and taxed by government, but unfortunately no-one realises that it's all possible from some simple accounting principles and all Government need to do is to apply these rules (with a pinch of ethics and bipartisan agreement) and a taxation system may again one day fit the times that we live in and not be 40 years behind.

A CAFE in Australia wants to monitor its staff by filming their work around the cash register with a CCTV system. A local security company installs the system for say $2,000.00 and it starts recording to the computer system of the CAFE owner. After a while the business notices that cash is regularly taken from the register because revenue is down, but client numbers are up and stock is reducing.

To employ the services again of the security company (that first installed the cameras) it will cost the CAFE $1000 per week to monitor the registers 100% of the time during operating hours. A company in India will offer the same service for $100 per week.

The CAFE owner decides to employ the services of the company in India and outsources the work immediately. Within 7 days the light-fingered employee is caught red handed all for the cost of $100, compared to $1000 for the same service by the security company.

Is the employee the only thief?

Technically yes - the only criminal here is the employee putting their hand in the cash register, but what about the theft of money from the Australian economy?

It's only a small amount in the scenario, but it adds up!

Going Local Outsourcing

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 1000 | Local Invoice | ATO taxes |  | 100 | India Invoice | ATO taxes |
| 100 | GST | 100 |  |  |  | -30 |
| 800 | Staff | 240 |  |  |  |  |
| 200 | Profit | 60 |  |  |  |  |
|  |  | 400 |  |  |  | -30 |
| 1000 |  | -400 |  |  |  |  |
|  |  | 0 |  |  |  |  |
|  |  |  |  |  |  |  |

From the table above (which is confusing, but that's taxation for you) it shows that the ATO received say $400.00 in taxes (from the security business, their staff and GST) but then paid that back as a deducible expense to the small business needing the service (in GST and business expenses). The ATO would have held that money for a little while though and the local transaction would have helped the security business and employ staff locally too.

WIN

Going via India has saved the CAFE $900.00 and they get a $30 tax return for the deducible expense.

LOSE.

Local Security business - no income.

ATO - Down $30

Australian economy has supported the economy of India...... but done nothing for its own.