Submission to Australia’s Tax Discussion

5 May 2015

**Estate Tax (‘Death Duties’) - Why Not?**

**Commending the Australia Institute report**

1. **Estate Tax (‘Death Duties’) - Why Not?**

Taxing a person's estate when they die is a very good form of tax:

* The person doesn't care - he or she is dead
* The existence of an Estate Tax would encourage people to give away some of their wealth, maybe to the next generation, to people who are perhaps more likely to use that wealth creatively.
* Everyone dies, so everyone would become subject to the Estate Tax, without much chance of tax evasion.

I recall that most Australian States had a Death Duty tax until, decades ago, Queensland repealed their Death Duty tax. Then, many old people moved to Queensland in order to be living under that jurisdiction when they died, and thereby avoid paying that tax. So other states had to similarly abolish their Death Duty taxes.

So, obviously, we should have a Commonwealth Estate Tax, rather than a series of state taxes.

Yes, some people would move overseas to avoid the tax; but I suggest that – unless the Estate Tax was unduly onerous - it would only be a few.

I’m no tax expert, and obviously there might be interactions between taxation of Superfunds and taxing of estates. But the idea should be explored!

Although the Tax Discussion Paper does not apparently raise the topic of an Estate Tax, the recent report *It’s the revenue stupid* from the Australia Institute (supported by GetUp) does:

http://www.tai.org.au/content/its-revenue-stupid-ideas-brighter-budget

1. **Commending the Australia Institute report**

I commend the Australia Institute report *It’s the revenue stupid.*  It makes the case for many of the reforms that I have long considered desirable:

|  |  |
| --- | --- |
| **Modelled policies and revenue impact Revenue measures** | **Estimate of revenue raised ($m)** |
| Super tax concessions | $9,616 |
| Restrictions on negative gearing | $3,491 |
| Scrapping the capital gains tax discount | $4,039 |
| Introducing a Buffet rule | $2,492 |

. . . continued . . . .

|  |  |
| --- | --- |
| **Other revenue measures Revenue measures** | **Estimate of revenue raised ($m)** |
| Bank Super Profits Tax | $5,700 |
| Financial transaction Tax | $1,000 to $1,400 |
| Estate Tax | $5,000 |
| Restricting fossil fuel subsidies | $11,517 |