

TAX DISCUSSION PAPER

SUGGESTIONS FOR TAX REFORM

MAY 4, 2015

Here are some thoughts in no particular order:

- We are trying to get mothers to return to work, but the cost of childcare is prohibitive. Consider making payments for childcare tax-deductible for working mothers (fully or partially, depending on family income). There would be a loss of tax revenue for the deductions, but the salaries earned by the returning mothers would probably be at a higher level tax rate to compensate.
- It is unfair that people with substantial assets (including the family home) can draw the aged pension, which ultimately only benefits the heirs of the pensioners and which often comes at a time in their life when the heirs do not need the money. Consider setting up a reverse mortgage type of system whereby all aged pensions paid out to a person or a couple become a lien on the family home which is to be repaid upon the sale of the home or the death of the last surviving spouse/partner. There would be no interest charged on the aged pensions paid out and all family homes under the value of say \$1 million (indexed annually for CPI) would be exempt from the lien, as would the first \$1 million of the value of the family home. Property tax rate assessments could be used to determine the value.
- Payroll tax is a deterrent to hiring employees. Consider reducing or eliminating this tax over a period of time to make businesses more likely to look for expansion, and therefore creating employment opportunities, and to make them more profitable thereby increasing their corporate tax amounts.
- Australia is not competitive in terms of its corporate tax rate and this makes us less attractive for foreign investment and it also may encourage legal tax avoidance by multinationals to shift profits to countries with a lower corporate tax rate. Consider lowering our corporate tax rate to, for example, the average rate of OECD countries and at the same time tighten up the profit-shifting by penalising blatant abuses.
- To raise revenue for the states for health and education consider raising the GST and at the same time eliminate the anomalies that currently exist in the GST assessable and the GST exempt categories.
- It is widely believed in the community that many government departments are inefficient and that waste is widespread. Consider establishing a task force, led by experienced business people who have run large companies, to increase efficiency and eliminate waste in government. Publish the results of the findings and quantify the savings in order to demonstrate how the public's tax dollars are being saved.
- Superannuation is necessary for as many Australians as possible in order to minimise the number of people on the aged pension. This is especially important as we move towards an increasing percentage of older people in society. Many Australians have spent a lot of money setting up self-managed super funds and generally providing for themselves in their retirement years, yet each successive government either changes or proposes to change elements of the rules on superannuation. This makes people nervous as they believe their hard-earned savings will be tampered with and their retirement plans forced to change. Consider making changes to the superannuation rules to reduce the tax advantages on higher income earners and then give a promise that there will be no further changes implemented during the term of the present government. If possible, gain bi-partisan support to include the promise in a future possible change in government. As an absolute undertaking make sure that any changes to superannuation only take effect with the start of the next tax year and do not make them retrospective in terms of increasing tax on high income earners or in taxing assets already held in superannuation.
- There is definitely bad feeling in the community that there is one set of superannuation pay-outs for public servants and parliamentarians and a totally different set of (lesser) payments for the rest of society. In these times of budget deficits government should consider putting a freeze on any increase in government pensions and superannuation payments until the deficit is paid off and the rest of society catches up in benefits to the same conditions and policies as civil servants and parliamentarians enjoy. Leaders lead by example – show the way!

