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SUBMISSION ON AUSTRALIAN TAXATION REVIEW.

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My key points about how our taxation system has evolved over the last 30 years is that there has been no attempt at any proper, open public discussion on what a modern society requires taxation for, what amount of taxation is required, how it can be obtained and if there are other ways of achieving the same goals. There has been no proper investigation of how it affects different types of people socially and economically, how fair it is to all its citizens and whether it has fundamentally changed from what was intended. For clarity I will highlight what I believe are the resultant problem caused and how they can be addressed either through direct taxation or through using taxation policy to encourage investment in socially beneficial areas.

I believe government has a responsibility to provide adequate accommodation and housing, reasonable temperatures by heating, fans and if necessary air-conditioning, health, transport, food and employment to its citizens. Despite what the modern world is like, where there will never be a so called level playing field because of how the rich and powerful manipulate the cost and provision of each of those for profit against people, government has a responsibility to protect people from that. We certainly do not have a proper free enterprise system due to the amount of monopolies or duopolies we have, the failure to enforce Australian Standards, and legislation that encourages competition. It is long overdue that we define whether a project is a national, state or local government one and have only one level of government running it.

It is also worth noting that as successive governments have been manipulated by big business, multinationals and a belief that the so called free market will solve everything it has in fact been very detrimental in many ways. We have more monopolies and less taxation from Multi National companies. We have less industries due to a narrowing industry base resulting from a failure to nurture innovation, retain new enterprises in Australia or protect and renew industries affected by global trends. Our manufacturing, ship-building and car industries are prime examples of that. I note the discussion paper presented is already greatly influenced by how it is written based on a belief for lower taxes and especially for big business. Recent inquiries show they have in many cases not been paying anywhere near their fair share of tax in Australia. It has been our failure to pay any

attention and only listen to what big business has said rather than independently check that has allowed this. While I believe most Australian business, irrespective of their size pay their legitimate tax it is obvious many Multi Nationals do not. We should apply our corporate taxation system through money transactions in banks as that is relatively cheap and clearly shows what funds are being made available plus gets around ordering goods in other countries and paying no tax.

Here are the areas we can start taxation reform in.

Housing Policy.

In the last 30 years due to the combination of the introduction of negative gearing in taxation and the application of the GST to every area of housing and construction, as opposed to on a luxury goods basis as was previously the case, and other policies I will detail, we now have the highest housing costs in the world compared to our income. Although at the time the government introduced negative gearing it convinced a large number of Australian's with additional financial resources it would benefit them in reality it has only benefitted the wealthy investors while pushing housing prices higher. I believe negative gearing should be removed as an initial way of obtaining more taxation money but most importantly to stop housing costs becoming even less affordable.

When combined with a combination of applying the GST to all aspects of housing, hence increasing the cost by over 8% on the average house , plus the reduction in Federal Funding for low income housing, affordable housing and state government housing stock it has greatly increased housing costs. We are one of only 4 countries in the world that apply either a GST or Value Added Tax to housing construction and infrastructure. If we reduced the GST on housing to half its current rate it would lower costs if supported by proper laws and it would also stimulate activity offsetting the change in rate. This is one sector of few areas not holding steady or in recession in Australia at present.

We need to also consider the infrastructure for housing which state governments can no longer afford to subsidize so have added on to housing costs. All of those have proven to be terrible decisions. There are ways of reducing infrastructure costs but they have not been applied in most of Australia. The government that introduced the GST also falsely and knowingly told the public at the time it would have other taxes on housing such as stamp duty no longer apply . It conveniently forgot to tell us that state governments were responsible for that and no agreement had been made with any state or territory government for what the Federal Government told people at that time. We urgently need to make our housing more affordable and make better use of large houses.

There is one controversial aspect of housing policy that Australia is largely unique in but very unpopular to try and change. By exempting the family home fully from taxation policy, irrespective of its size or value we have encouraged the wealthy to purchase large homes

that by the time they retire they still keep despite being much larger than they really need. We encourage that further by taxing them on their assets and savings amount if they sell the property. If we allowed them to put that extra money into superannuation within 5 years of retiring age without taxing that it would reduce our Age Pension bill. There are two other practical solutions to this issue that I believe would be largely accepted by the public provided they are not changed by government policies or beaurocrats as the GST proposal was significantly to the detriment of both political parties who supported that concept. That is to put a maximum value on a house above which taxation will apply on a fringe benefits basis. I would suggest that figure would be 50% above the average mean price of housing in each area and farms should be exempted from that policy. Only the people who have large houses will be forced to either pay or downsize to a more normal house.

A second aspect of public policy that could also be applied that will also address this issue and obtain more support for my proposal. Due to all the aspects I have mentioned earlier we also have a shortage of rental housing, as well as high costs for renting. If half the income from renting to people who do not own the house, or have any financial interest in it through a company or trust for example, was allowed as a tax deduction it would help reduce our rental crisis and still give both the house owner retiree extra money as well as the government money from taxation..

We are one of very few countries who do not have a tax that applies to purchases of our houses, farms and business by foreigners. We are part of a global society so should not discriminate but surely we can do what other countries do that will also benefit us financially.

Superannuation.

When superannuation was first introduced in the 1970.s it was claimed it would replace the Age Pension within a life time. Despite it being compulsory it clearly has not done that or even helped greatly take the pressure off rising age pension and associated costs. How did it go so wrong? Firstly only one side of politics has supported it for all people, on the same basis while the other has tried to restrict and limit it. There should be agreement on this. That situation has worked against our national interest because as a result it has been able to be manipulated by the rich and powerful to their advantage. In addition both sides of politics decided they would start taxing contributions to Superannuation as a means of raising money by stealth. In fact today most people do not know how many times their Superannuation is taxed each year or know why.

In fact in a bizarre twist despite the various taxes applied to it we have established Superannuation as a means that the wealthy can greatly reduce their taxation from income by allowing them to establish their self managed, or use of large Superannuation funds for that. In reality they are only exploiting the taxation system to both avoid paying normal taxation rates but also be able to claim on it each year as well while increasing their

superannuation reserve for when they retire. The normal low to middle income person does not have the money to obtain the advice on how to do that let alone to set up the structures with the required funds to do that. Only the wealthy exploit it denying us over \$10,000,000,000 dollars in taxation in income compared with if the same system that applies to average wage earners did to those people. Worse still is because of the consequences of the government policies that have created this successive governments have had to lessen restrictions on people accessing large amounts of their Superannuation on health and poverty grounds . Those people largely rely on the Age Pension as they have to use their Superannuation to establish some security by paying all their bills, and even paying off their house when they retire.

Taxation of Multinational Companies.

Over 80% of our mining industry including companies such as BHP are majority, overseas owned multinationals. Only in recent times from a variety of inquiries has it become obvious that they pay very little tax in Australia on their profits because of how they both structure their taxation records in Australia and countries they have registered in to pay taxation that they make deals to pay minimal taxation to. Unlike the main countries of Europe, Britain and the United States we have paid little attention to this over the last 30 years. While those countries have tightened taxation laws on matters such as transfer pricing and made it requirements of taxation being paid in the country where the money is earned we have largely ignored what has been going on. Some such as Switzerland, Ireland and Malaysia have done the opposite and in effect become tax havens but that has been either because they obtain other benefits such as banking services and employment or do not have welfare systems like we do in Malaysia's case.

Firstly we need to be consistent so instead of proper taxation rules only applying to 30 Multinational companies, that the current government nominates in its current response to the details of this being available, it should apply to all multinational companies. Secondly there also appears to have been little attempt by the current government, or any over the last 30 years to look at how large companies use subsidiaries for taxation purposes. We need a open independent and public inquiry into how proper taxation can apply to such entities. It should also look at better defining rules on how Trusts are also used to minimize taxation, where if it is genuine that is fine but increasingly only the wealthy use it to minimize tax.

The GST.

In many respects the GST is nothing like what was presented to the public and the states before its introduction. I doubt if it would have been approved by either a majority of people or of states if they knew the truth. No-one was told different percentages of the amounts collected would be determined for each state and territory, which it appears has been devised to offset what the federal government had traditionally provided.. Everyone

was deceived about various state taxes being replaced by the GST. When the beaurocrat's decided to try and make laws and regulations for how it applied to health, education and food they made it very complex as a way of being able to raise more money from it while discouraging basic needs and expectations of people. Of course the government who introduced it did not take responsibility for any of that but blamed the party who sought to work with them in the National interest as the states and territories did require more funds . They would never say why someone else was to blame for what they presented.

Company Tax.

Company tax in most respects only really applies to small and many medium size companies. The complexity of deductions and claims that can be made means that many medium size and most large companies do not pay much taxation irrespective of how much profit they actually make. We need to look at how investment decisions are made that are often used to reduce or defer taxation, as was done with the mining Super Tax. If they have a clearly defined benefit for Australia with more employment and taxation that is fine but in that example it had the opposite effect. It is time company taxation was greatly simplified and most taxation deductions, apart from wages not allowed. It is false to claim that if people or companies are taxed they have no incentive to earn. If they are receiving the services we take for granted they should pay their fair share for those.

Indirect Taxation.

Most indirect taxation most people do not even realise they are paying. Perhaps one exception is tax on petrol and oil. In the last 30 years, despite the shock of the world oil price increase in 1972 , just as with Superannuation the federal government has greatly increased the percentage and amount they earn from tax on these. Again people with their own business or company can claim it as a tax deduction but the general public cannot. It is time this was made more equal for our citizens with perhaps an upper limit on what can be claimed and ordinary wage earners also able to claim.

Government Responsibility.

Now we come to an area that the Federal Government always tries to avoid because they do not really have any power in it but want everyone to believe they do. At present we have for a range of infrastructure projects the cost increasingly falling on state and territory governments but due to them not having enough money agreements done to share costs with the Commonwealth. This has three terrible disadvantages. It often leads to duplication by government departments at both levels as very clear guidelines on who does what are usually not possible. That increases costs.

Secondly it is dependent on both levels of government agreeing on the projects and either because of different political parties and hence idealology, or different priorities many good projects have never started because of that. Most importantly it has quickly led to the

demise of public-private partnerships, especially after state governments being exploited by the private sector for excessive profits, and monopolies which has not encouraged public support.

Medical Expenses and Drugs.

Despite some attempts at encouraging people to be more healthy such as anti smoking, drug awareness and similar campaigns in reality these are by state governments to try and lessen dependence on hospitals that they fund. It seems to me that the Federal Government is very interested in trying to limit health care costs but have done virtually nothing to limit the costs of new technology in medicine and drugs apart from what they subsidize. Private health insurers are finally paying attention, and trying to limit this but in many cases it is only hurting genuine patients. It is long overdue that three reforms were undertaken in our health care system. One is incentives to doctors to implement programs to make people healthy and active. A second is the expansion of super clinics and alternatives to doctors for minor medical issues. We have a shortage of normal nurses let alone ones that can do the work of junior doctors and are doing very little about it. A third reform is a review of where excessive use of technology has been used on a patent where only the practice and owners of the technology benefit. If the taxation office can investigate matters why isn't there a organisation to strongly investigate over servicing. It also seems we have not been aggressive enough in promoting some generic drugs as alternatives to very expensive ones.

Child Care.

As our workforce has become bigger and more sophisticated we have looked at how to encourage more mothers back into work. Initially child care was not all that expensive as we did not apply many standards and requirements for it. However as working hours changed and safety problems occurred in Child Care centres we paid more attention and increased standards and accreditation which led to greatly increased costs. Yet the people providing the service as paid low wages. In the 1970,s and 80's we looked at technology parks and suburbs, or even entire cities .For a variety of reasons they largely did not work in Australia with a few exceptions. In many cases they worked overseas. I suggest the reason is we did not look at how to adapt them to our needs and social requirements. Such areas have been very successful in providing child care and other social services in many overseas countries and due to a variety of reasons able to limit costs for quality facilities and staff. Our current ones in either close proximity to residential areas or areas far away from where people work are not very successful on a cost basis. Ones provided by business' for their staff have been very successful in many overseas countries and can work here if done properly under our conditions.

Aged Care

This is another of our highest cost and greatly expanding areas. Nursing homes are the most expensive but just as I stated earlier on our approach to preventative medicine and promotion of health we should be exploring ways we can have an intermediate stage between retirement living and nursing care. It currently exists but because we have tended to look at only the extremes they have been given preference. There is no doubt that their grown up children no longer have as much time to help their elderly parents if they happen to live near them. Yet there is no real community network that has been established to replace that. I suggest we would save a lot of money on nursing care if we made such care tax deductible as well as rewarded with specific grants to carers. Our current system greatly discourages that on social grounds but it costing us very large amounts in taxation.

Small Business and Innovation.

We need to encourage our small business much more than we do. Our situation is now similar to in the U.S. A. In the 1940's and 50's where most small business were put out of business by many tactics of big business competitors. Australian laws are out of date and ineffective in preventing quite apart from the agencies not being adequately resourced or professional enough. Laws introduced in Europe and the U.S. A between the 1960's and 80's to deal with that have not been copied in Australia. To some extent giving small business a tax reduction of 5% would help a bit as it allows them better to compete but only marginally. We need to look at how they can be protected, as other countries have and encouraged to thrive through ingenuity and innovation. Clearly our current taxation and grant system does not work to achieve that although the various Industry Development Authorities are of some benefit but not much financially. It is long overdue we held an inquiry into this to develop a system for Australia that does work. It will help develop new industries and income and taxation sources.

Transport

Depending on the political party in power in Canberra many of our requirements for modern and efficient transport are ignored and the pieces picked up by state governments. We are well behind comparable countries on some of our airports and trains and it would greatly stimulate our economy if we could get to the level of only ten years behind them. Our ports facilities are also reaching the crisis points for some of them and that is now leading to disputes between users. Taxation policy can improve that now but will not be benefitted with greater activity and revenue for perhaps 5 years.

International Affect Desired.

We obviously have to be competitive in the world. It seems a lot of very large and multi-national companies have until now convinced us that if we do not match or charge less than the minimal rates they pat elsewhere they will go there. Of course they cannot take our resources, expertise and workers if they do that . Often taxation policy can be used to

achieve social, health or environmental goals without any tax actually having to be paid unless they do not comply with our requirements. Many countries use such tactics, often in heavy handed ways but we rarely do. This does go against many ideas of the current government as it requires co-operation with other countries and jointly working with them in what might be perceived as controlling business or affecting markets. Surely we have grown up enough as a country to act in our own interests for all our people.