

AFTS RECEIVED

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AST AFTS SECRETARIAT  
Department of the Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Sir/Madam

Please find attached my submission to your taskforce setting out a range of ideas and options for reform of the current Taxation system. These options have been developed over the last 15 years and take into account both the current and previous approaches to Taxation (eg pre and post GST).

I am currently retired but spent many years in the financial industry which gave me many insights into the opportunities and challenges that we have with our current system.

I have been advised that a short précis is all that is required at this point. Please find attached my overview of the reforms I propose. I have also developed a processing system to support the implementation of any such reforms. I would be happy to discuss the elements of the processing system with a taskforce member.

Thank you for the opportunity to contribute to the debate on a fairer, simpler tax system.

Regards



John Wilden

## SUBMISSION FOR A NEW FAIRER AND SIMPLER TAXATION SYSTEM

### Background

Calls to change our Tax system have been increasing over several years. Amendments have in most cases favoured the wealthy to the extent that many of our higher earners pay proportionately or actually less than lower paid individuals. Fiddling at the edges will achieve little except add further pages to our already incomprehensible Tax laws.

We should start planning to eventually embrace a simple flat rate Tax system which would Tax every dollar earned or unearned, at the time of realization.

### Proposed System

#### G.S.T.

To remain basically as is, except that businesses currently exempted [ turnover to \$75,000 ], would now also collect the Tax. This move would go a long way towards fighting the cash economy.

#### INDIVIDUALS

A flat Tax on all cash earnings and current salary sacrifice items. These could continue if desired but with no Tax advantage except for added Superannuation payments. Exempt categories of individuals would continue with some review under the new system.

#### CAPITAL GAINS

The same flat rate on all capital gains on any investment, including the family home, where the home has been purchased then sold as an obvious means of capital gain. A case for a tapered tax beginning, say, after five years could be employed.

#### BUSINESS

The same flat rate on profits. Overseas owned businesses would operate here as separate identities under our Tax laws. Dividends or return of capital to a parent Company would be taxed similarly. A system for the Taxation of profits on sharemarket and currency dealings would be also developed.

#### INVESTMENTS

Earnings on Bank deposits, investments with any financial institution, private investment, share dividends or other distribution of Company profits would be taxed on payment and forwarded monthly with other taxes. Normal exemptions would apply.[See item on no Tax returns for individuals].

#### SUPERANNUATION

A further review is necessary with a view to setting upper limits to accrued Super for individuals. Maximum funds should allow for a pension type payment comfortably in excess of any part pension status. There is no reason why wealthy persons should not pay taxation on any further investment.

#### OTHER CHANGES AND BENEFITS

The Tax system to be used for collection only to a level sufficient to cover all expenditures and leaving an appropriate surplus.

No necessity for any income splitting.

Methods for donations to approved Charities will need change.

Elimination of Trusts as a means to avoid or defray Taxes.

A provision for individuals to collect Tax from persons casually employed.

Those using the cash economy would have great difficulty in evading the Tax net. Remember, the more people paying their fair share of tax the less everyone pays.

No Tax returns required for individuals unless in conjunction with a business conducted by a salary earner, or earners.

To enable the no Tax return scenario for individuals the following procedures would apply.

No deductions. Any expenses due to employment should be met by the employer. Nett income from any investment would be paid to individuals with the Tax being forwarded to Treasury by the institution or individual holding the investment. Obviously no Dividend franking would be necessary.

Group certificates would still issue as many persons will need to approach Centrelink or other Government Departments for necessary payments.

Fines for non compliance with the new Tax laws would be simple, very severe, and automatic as no excuse would stand up in such a simple tax regime. Assets would be realized in payment if necessary.

Most citizens would be happy in the knowledge that everyone is operating under fair system with very severe penalties for those who attempt evasion.

There would be some question as to whether the wealthy would still be paying their fair share of Tax. To cover this eventuality a Gifts and Estate Tax has been devised. Space precludes any fuller explanation at this time.

Whilst it would be great if wholesale changes could be made soon, this is unrealistic. Several years could pass before any bi-partisan agreement will take place between politicians, economists, self-interested powerful individuals and the Business community. This is before Legislation changes will commence! But we must start somewhere.

In the interim some substantial changes should take place to reduce complexity and move towards permanent change. Just a couple of suggestions.

#### P.A.Y.E .TAXPAYERS ONLY.

Eliminate deductions. As mentioned before these in most cases should be met by the employer, either directly or by salary variation

Eliminate taxation on investment income up to a modest level to encourage savings and to offset any minor losses by cancellation of deductions. This will help in the elimination of Tax returns for a large number of individuals.

Amend Superannuation laws as outlined.

#### OTHER

Remove Payroll tax [with co-operation of the States].

Full review of excise and all other charges.

Reduce or eliminate Stamp Duty. If retained make it a National charge.

#### REDUCE GOVERNMENT.

Australia will never reach its full potential under our present Constitution. The belief that nine different law making Governments are necessary to administer less than 24 million people, and less than 14 million voters, is a nonsense.

Planning for a move to a Regional system of Government should begin now.

There is a growing support for this move and the eventual benefits to Australia and its Taxpayers are very considerable; estimated at between 10-15% minimum of our national Tax receipts.

The notion is certainly not new and many prominent citizens and politicians are in favor of the move



Once again, this is a long term project. Constitutional changes should be researched as soon as possible.

Please note that processing systems have been considered and developed for many of the above suggestions.