

249 Grandview Road
Elmore Vale 2287
28/2/2003

The Secretary,
Senate Economics Reference Committee,
Room SG. 64,
Parliament House,
Canberra 2600

Dear Sir

- A) Empirical evidence on the tax subject reveals that most individuals and businesses believe they are over burden in paying taxes. Most commodity consumers buy or service used are taxed, levies, rates or have some government payment. Naturally, the level of distribution of taxation is extremely challenging to define. Writing to the discipline on the question the writer has limited argument because the term of reference appears too narrow. Answering the question should be progressive sound economic in building a future Australia. Reports in the media indicate that Australia taxation system revenue for government is low when compared to some OECD countries. Yet, the compulsory tax laws stimulate the public to resist paying increased taxes while most citizens are burden with personal debt some long term, many a lifetime, perhaps where tax burden lengthen the life of personal debt. Yet, government forever spending tax money as they too carrying heavy debt and raise money through the bond market, and write off bad debt. On the other hand, governments build loopholes into the tax system for individuals and business to minimisation paying their fair share (like family trusts...) further alienating employee families to carry much of the government revenue burden. Loopholes result in enormous lost of revenue to government. And people who live in fool paradise manipulate the tax system (tax adviser specialists) and in time some find it's no panacea for their endless trouble when found out. Suggesting there's more people who don't believe in the taxation system than believers. In early settlement the community lived under a purer structure of capital economy when minimum tax were paid. Today after fifty years of social and economic reform Australia has a mix economy. Therefore under a mix economy taxation commitment must be higher than under a purer capital structure especially when individual and businesses require or demand quick access to public help. Likewise, individuals confronted with a national disaster or financial crisis they seek help from governments. Government policy to win election has become extremely involved in human and social capital. Now the question seem individual who derive incomes from the private sector believe they pay too much tax, with little social or physical returns. Yet, flow on from the tax collection could en-rich their incomes. While individual when incomes are paid by the public sector appear ambivalent about the tax system when they give some tax money back. Yet, they campaign for more money from the tax purse because they don't want to be left behind other (for them it's catch up time). My understanding of the taxation question that most individual and businesses believe they pay far too much tax. So low tax is good high tax are bad. The ordinary person appears too busy

earning a living and having fun in popular culture and hasn't either the time or the mental capacity for taxation research. Which means, workers are not legal experts in a sea of changing complicated legislation to deal with. Taxation Laws are to remind people what they ought to do that is to pay government daily expenditure and debt. So that today perportionately fewer people understand how the tax collection economy actually work for the nation. While the people who have the money or skill do understand the law and legally prove their case before the court and some win their argument against government legislation. Therefore, government policy in this area is obviously not working all the time when many individuals contravene the tax law. They legally expressing their opinion of the tax burden placed upon them by government. Indicating taxpayers are divided on taxation payments, but not on the benefits. Cases are reported of the miss use of public money, this has the trickle down effect, if they the law maker do it why not I... They expecting limited relief in paying taxes as taxpayers from government.

- B) Most employers and employees believe they pay too much taxation that become and impost on their family standard of living and quality of life. Especially for some when incomes are below the poverty level (3 million Australians and 1 in 5 household live in constant financial stress) and that where tax injustice occur. While six million recipient of welfare accept government support for economic survival. Which means, some employees are independent of government assistance while other families are dependent. To me the question is ambiguous. Youth on income over \$6 thousand annual pay 17 per cent direct tax plus 10 per cent GST on essential items (6 million people over the age of 15 years have annual incomes below \$16,000, naturally tax is a burden for them in building their family future. While high income employees can absorb tax bracket creep in direct tax or GST but not people in the low socio-economic group. Women are about 80 percent of the consumer purchaser whether in the work force or out therefore have taken the major burden of the goods and service tax, that is the kernel of the family. It's alleged that poverty in the family has possibility to lead to deviant behaviour and additional cost of law and order and constructing more jails and a larger demand on public revenue...
- C) Governments have spent enormous amount of tax money on bright ideas to increase participation into the workforce. Currently the OECD has reported that Australia is the best global managed economy. The government endorsed that report as relevant. It seem the global economy is in it third wave of human development in high technology that has been very disrupt to income for some individual and businesses independent, but has stimulated growth in other businesses... Under world's best business practice the Federal Government have downsized and out source government business, this economic business strategy added labour to the unemployed pool. When it's considered that the Commonwealth Government employs an enormous labour force, so when government sell off pubic assets perhaps some that could be diversily or some innovation could occur to generated employment that would be sound policy. Furthermore, when redundant employecc search for new business idea for self-employment they find limited opportunity with low risk that generate moderate income. While government assistance are available

for those who qualify. Government is restricted in unemployment program should they compete with the private sector and cause unemployment there... The 1998 Pensioner Bonus Scheme legislation is to encourage men at 65 years and women at 62 years to remain in the workforce at a cost to the taxpayers. Preventing employment replacement by younger employees shows a contradiction to this question. It would make more sense should government have project like the Collins Class submarine spending \$billion producing essential product for Australia use made by Australians, rather than imports. Pasmico: Cockle Creek, to shut down smelter this year with a loss of 360 full-time employees plus 100 contractors. Company argues to find employment for them. This argument is debatable and that is the dilemma for government tax expenditure to return unemployed participation back into the workforce when Newcastle is losing too many large industrials. In the 1950s employees worked and played in Australia made cloths, today they wear mostly imports. It's more about the free market and the price of labour. Few industrial or politician leader express opinion about the lost revenue to governments or the hidden unemployment.

- D) The Federal Government under the constitution has the responsibilities of taxation. Industrial relation overlaps taxation law that trickle through the three tiers of government intergenerational consequences some consumers are paying taxes for services they do not use and argue that they pay over fifty per cent of their income to government and public utilities. Some people in the Hunter are extremely interested about unemployment especially the younger generating what with the loss of so many industries and employment where the tax system appears not a relevant structure to solve the unemployment question as employees once knew. For instance, commodities once produced in Newcastle are now imported. It's extremely difficulty to find brand names 'Made in Australia'. Perhaps, this reality shows some evidence that tax will not provide employment for the most unemployed in the global new economy. Most Local Government rates increase each year, after new homeowners pay for road pavement, drainage, kerb and gutter and foot pavement. While demands are made for more federal government funding (perhaps \$5 billion NSW). Therefore, tax relief by Federal Government could be made negative by another tier of government.
- E) My understanding of the question many voters feel powerless once government are elected they have the essential number to make statute laws as they please irrespective of public opinion. They change old structure about getting rid of the old logo amalgamation of departments and introducing the new structure and nothing much seem to change for the cost involved. The Commonwealth structure for collecting revenue and distribution to the states seems relevant. But to me it's the politicking to remain popular to them that appear important irrespective of the cost or waste of tax money. Tax is money, it has the multiply affect on the economy that can do good so a sound economy generates employment and could give credit to Federal and States relation.

F) The taxation structure to many voters is more about politicking, than good economy policy. At election parties are persuaded by pressure groups or they promise to fix problem up, for citizens in buying votes commonly recognized as pork barreling offering \$ billion of goodies. People rich or poor will take everything they can get on the alleged free list either though all give a ways must be paid for, that's how the economy works. History is ancient in arguments that never enough free goods are available. The government has minimum income of it own, and what income they did have from public owned assets has been sold off to pay off debt and \$36 billion remains for more asset to be sold or higher taxation must be paid. Most new owners of public assets downsize out source to increase profitability for Stock Exchange image and growth in paper wealth. In the introduction of the GST government modeling showed how from the start of production the tax would follow that procedure until the consumer made their purchase and paid for all cost of the production of each particle commodity even should the commodity cost 50cents. Naturally, the GST structure gave the ATO a computer file on most business activity and a guide of revenue generated for government to spend. While the sellers through input tax credit received their GST back. Which means, workers and new technologies generate the goods and services but the consumer pay all the cost of production. Should goods and services produce \$750 billion in a year that's an enormous amount of money generated and tax collection? If consumers are the economy through the family activities and they paid all the cost government should first deal with the economy and not empty rhetoric about reforms. A healthy economy must have an appropriate tax structure to build modern infrastructure in a complex ever changing modern economy. Parliament should have much more control over decision of how tax money is spent. The Prime Minister or Premiers appear to have too much power in dispensing revenue to such freedom that few of Australia problems are ever fixed up properly. Parliamentarians and public servants are the servants of the people where all statute law should make logic economic reality of uniting the nation for future generation. For example, the GST increased the price of new house, this stimulated contraction in the building industry. The government gave a \$14,000 first house owner grant (or received the GST in one hand and then gave it back in the other) this stimulated growth in the building industry (among other pressure and low interest rates) and competition saw rapid increased in house prices. Pricing the low socio-economic group out of the real estate market, who must rely on rented property or public housing (about 150,000 Australians homeless, probably 250,000 Australians on the waiting list for public housing)? Meanwhile, property owners increased their property portfolio wealth or if sold made enormous profit. Again tax appears an ambiguous question with winners (making profit) and losers (a reduction in their standard of living). Yet, is it wise to price a house beyond the capacity of a family on low income to purchase? Perhaps the cost of administration of Federal Parliament is about \$500 million annual, which means Australian tax payer are confronted with that debt, but then there are the a diversity of benefits from parliamentary democracy and the tax structure beyond narrow self-interest and public waste. Naturally the government has many opportunities to provide employment with tax money by a constructive policy of the restoration of the environment. Individual who produce food in their back yard pay GST on fowl fed, vegetable seeds and plants

when such foods are GST free. Because the taxation structure is so complex in revenue collection and expenditure through legislation framed and made into statute law by the Commonwealth Government of the day. It's the government who can relieve the burden of tax on the low socio-economic group. But most taxpayers believe that will not happen in a materialistic economy associated with waste of taxed short life throw away.

Source of information

The media
Government Publication
Employees discussion
Welfare recipients complaints
Self Fund Independent Retirees outspokenness
Personal experience

Disclaimer: This submission has not been thoroughly researched. At the time of writing most points appear relevant, while other remain in the unknown. Yet, in June 04 my views could change as I travel down the path of the learning curve. Therefore, I would appreciate a brief report on the finding to better guide me to understand the subject.

Sincerely yours,

John Lee
John Lee