

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

## **Preamble.**

The current tax burden borne by Australian taxpayers is too high, inequitable, indefensible and unsustainable.

Following the payment of marginal tax rates through PAYE, PAYG or other payroll type tax system, historically the average Australian is not able to spend their taxed dollar in any sector of the consumer market, be it leisure/entertainment, transport, investment, education, medical insurance etc without being burdened by further tax imposts. Then came GST, which, rather than being applied fairly across each and every financial transaction for goods or services, was applied selectively so not to supposedly impose too greatly on lower income earners (e.g. basic food groups). It is my contention that the experiment with GST has been an abject failure in delivering the benefits that were advocated. The GST experiment has failed dismally to deliver the promise of more disposable income, fairer distribution of the taxation impost and removal of the black economy. Businesses are struggling to meet the demands of BAS reporting, there has been no increase in the disposable income of any wage/salary earner (swallowed by price increases, cost of living etc) and an increase in the incidence of working for cash. The net result is that the total tax burden on those participating in the workforce too high.

The tax rate on individuals in Australia is totally inequitable. The tax burden is mainly on the middle-income earner, who is also subject to bracket creep. Having paid tax on money earned, we are then slugged with further taxes in the form of GST, petrol excise, sales tax (which does still exist), tobacco tax, alcohol tax, stamp duty, capital gains tax, tax on superannuation et cetera et cetera. Such a structure of multi-tiered taxation is simply not fair. It is unjust for the political system, public servant system, public welfare system, and other publicly funded organisations to be borne by this segment of society.

There is a growing ground swell of people totally dissatisfied with the current taxation system such that they are looking at avenues to lessen their burden. An increasing number are blissfully living in an increasingly growing debt situation fully aware that there is no way that the personal debt can be repaid.

It is totally indefensible that government does nothing to remedy the situation. In fact, government is negligent in its attitude towards superannuation and benefits for politicians versus the rest of society. Why are politicians able to have access to a superannuation system that is the envy of all taxpayers? Why do retired politicians have such generous lifetime benefits such as travel? No one begrudges payment or benefits for service rendered, but the extended benefits such as being able to access taxpayer funded superannuation at the time of leaving parliament, regardless of age, while everyone else has to wait until 65 to access their own privately funded savings is, to say the least, indefensible.

The current and growing crisis in the medical insurance, health provider and public hospital systems are proof that the current taxpayer funded model is unsustainable. There is not enough of the tax dollar to go around and it is becoming harder to legitimately find any extra funding. We must find another more equitable way of funding the public purse as well as controlling and distributing the monies.

### **The impact of tax on families.**

My wife and I are a single income family with no dependent children struggling to keep our heads above water. I am in the middle income tax bracket and resent the number of government and institutional taxes, levies and charges that we are required to pay to have an existence that barely keeps us above the poverty line.

My take home income is levied firstly with income tax as well as the Medicare levy, the gun buy-back levy, Timor levy and any other little nibble that is required to meet a Federal Government shortfall. It would be nice to think that this was the end of any bureaucratic grab for my now fully taxed earnings, but alas, it is not. Somewhere along the way, there is the State / Territory barrier to hurdle. Here there are such imposts as land tax, stamp duty, petrol duty, alcohol duty, fire levy, ambulance levy etc. Does it stop now, not a hope in hell. Local government then has a go: water rates, land valuation rates, sewerage levy, and a whole gambit of local charges.

How much of my dollar is left as disposable income? I do not know, but it is not enough to have a comfortable lifestyle, have the odd holiday, remain debt free for the rest of our life and provide for a secure retirement. Why not, because age and health concerns also have to enter the equation. My wife has an incurable cancer (lymphoma) and I have Type 1 diabetes, neither are lifestyle diseases. This means that to ensure we get the level of health service we choose, we must remain in the ailing and expensive private health system. We are also high pharmaceutical users, I reiterate, not because of lifestyle choices, but for medical necessity, and every year exceed the limit under the PBS. The same is true of our medical gap payments, but rather than lowering the costs similar to the PBS system, we get a 20% rebate at the end of the tax year for every dollar spent on gap payments over \$1250.00, hardly an equitable arrangement for those unfortunate enough not to be a health care card holder.

### **Use of taxation revenue.**

We object to the obvious and continued inequity of how the welfare dollar is spent. An example is the allowance given to some welfare recipients to enable them to live in communities that they would not normally be able to afford i.e. they receive a subsidy to pay a rental on a property that could be deemed to be out of the reach of some in gainful employment. There is also enough evidence that there are now 3<sup>rd</sup> generation families on welfare. Is it any wonder that there is a constant and increasing demand for change?

The recent review of the welfare management and distribution entity (CES) resulted in wide-ranging changes such that the CES no longer exists. It has yet to be proven that the replacement model is truly successful. The same type of review is needed of the output end of the welfare process. It is high time welfare recipients, particularly those that are in the age / physical ability group able to participate in the workforce, were compelled to better contribute to society. Those persons that have already contributed through a lifetime of workforce participation (or the spouse of a contributor) should be better supported by the welfare system in their latter life. The penalties for welfare cheats should be dramatically increased, a system to support repayment of the monies

defrauded and reinstatement of the person into lawful society should be initiated as a matter of urgency.

Programs such as 'work for the dole' need to be explored with a realistic set of guidelines. There are many tasks that could be conducted for the betterment of society that are meaningful, add to the quality of Australian life and are not demeaning. Some obvious examples are ground keeping and beautification works around and within urban and rural communities, assisting support organisations (RSCPA, Meals-on-wheels, Blue Nursing etc.) and other community based tasks. They could also assist the retired and elderly (who have already contributed to society and should have a valid expectation that society will now assist them) with tasks such as property maintenance, shopping, transport and support. Obviously, there would be those that would participate in further education to enable them to better contribute, as they may have dropped out, been excluded or not participated in the education system earlier in their life and all they need is the encouragement, support and desire to rejoin the education system, thereby becoming a contributing member of society. These types of participation will have a multifactor flow-on benefit for society in general, not the least of which would be self-pride and possibly a lowering of personal crime.

The popular Australian culture of tax evasion at a personal level is so ingrained that it is almost a slight against an individual if they are not able to 'get one over' on the ATO each and every year. These indiscretions, at a personal level, can range from claiming minor work-related expenses that were never expended, claiming nonexistent work-related mileage in a work-leased vehicle, through to participating either partially or totally in the 'black economy' i.e. cash only work with no documentary evidence of such. At the other end of the scale, are large enterprises, including multinationals that are able, probably quite legally, to avoid paying a commensurate level of tax that society would expect. I am of the opinion that the average Australian taxpayer would be shocked at the small amount of tax payed by such enterprises. If a debit type of tax were adopted, this type of selfish and unsocial behaviour would cease immediately, thereby creating a fairer and more equitable tax burden on all participants, as the tax would be levied on monetary transactions through banking institutions.

### **Long term issues.**

It is grossly unfair that a two-income family is able to have the benefit of two tax-free thresholds (with both incomes effectively shared amongst all members of the family) while single income families only have the benefit of a single tax free threshold (with the single income effectively shared amongst all members of the family). The income in both cases should be averaged between the spouses, allowing both to claim a tax-free threshold.

There is an urgent need to review taxation in relation to superannuation. It seems each time there is a change of Federal Government, the rules applying to superannuation change, and the changes are not restricted to taxation. When an individual enters into a superannuation scheme, there should be an expectation that the rules (in their entirety) that applied at the time of entry, should remain unchanged so that the individual has at their disposal upon retirement the amount that was their original expectation.

It is fully acknowledged that the public purse will not be able to fund pensions and the like into the future. If, as has been argued, individuals need to cater for their own retirement, if by no other means, than via superannuation, then the mechanisms need to be established so that the rules do not constantly change.

A greater amount of the public purse will be required to support the ageing Australian population through agencies such as: pharmaceutical benefit scheme, Medicare, private medical insurance, hospitals, aged care housing etc. Models have been proposed for the public purse to fund the elderly, with repayments through deceased estates. Such a scheme would only add to directing funds from other areas of the public purse. Once again, a debit tax would more than double the current level of funds available to the public purse to better fund any support programs required for the ageing population.

### **The respective roles of the Commonwealth and the States.**

It is obvious that Australia is over-governed. For a population of less than 20 million, there is no need for three levels of government – Federal, State/Territory and Local. Federal and State/Territory governments, by and large, are a duplication, which I suggest, more than doubles the cost of governance. There is an obvious need for a Federal Government, just as there is a clear need for local government. With the Federal Government consisting of an Upper and Lower House, there is no need for a further level of government to ensure checks and balances. It may be a controversial move, but there is a growing mood that State/Territory Governments are no longer warranted. There would of course need to be an increase in the size of both remaining levels of government, but by eliminating an entire level of government, the burden on the public purse to maintain the existing three levels would be diminished enormously. The issue of retaining State/Territory entities that operated under the auspices of the removed government instrumentalities would obviously need to be decided, but a range of them may still be required and could be maintained under Federal / Local auspices. With the increased synergies and efficiencies gained, there should be incalculable benefits beyond a specific dollar saving.

### **Conclusion.**

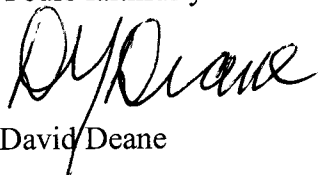
I would support an appropriately constituted enquiry into the feasibility of adopting a debit tax (say, a flat 0.5% or 1% levy applied to all withdrawal transactions from financial institutions) where all other taxes are eliminated. There would need to be changes in various laws to ensure such specifics, for example, that all businesses operating within Australia are required to utilise Australian financial transactions for the business conducted within Australia, so that all tax evasion loopholes are closed.

I would support a feasibility study into reducing the levels of government. With the vast array of communication and technology means available today and envisaged for the future, there is no need for the existing three levels with their overlapping and duplication of roles.

Further, although not directly within the brief of this committee, I cannot let the opportunity pass without commenting on the situation with regard to public liability, accident compensation and the third party insurance crisis. The legislators in Australia need to look at a different model of accident compensation, as the current situation is unsustainable. The Accident Compensation Commission operating in New Zealand appears to be a workable model that should be considered for Australia.

I thank the Senate committee for the opportunity to present my submission.

Yours faithfully



David Deane