



7 April 2003

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

32 Webster Street
KINGAROO QLD 4610

Dear Sir/Madam

It is a pleasure to participate in a request by the Senate Economics References Committee for submissions on the Structure and Distributive Effects of the Australian Tax system. This is a wonderful example of a democratic system of Government inviting public participation in such an important discussion, with wide ranging and topical terms of reference, in regard to the tax system and its relevance to the structure and effects on government and the people.

This personal submission will deal with the points referred to in the newspaper advertisements for submissions as listed, this being decided as the most concise way to address the issues I wish to raise and offer alternatives.

PERSONAL BACKGROUND

I am a 39 year old male, husband and father of 3, 6th generation Australian and sole bread winner for the family. I am a partner in a family cattle property, I own and operate a retail food business involving value adding beef (9years). I am an employer and employee, company director, an elected representative (Councillor) for the local Shire and a member and office bearer for local organisations.

a) The level, extent and distribution of the current tax burden on individuals and business.

While government obviously needs revenue to carry out its functions, it must be a priority to ensure it is done efficiently, equitably and simply, and relevant to society as the variables in society change.

The previous system of variable tax rates based on profits (income) appeared equitable as those who could most afford to pay a higher percentage in tax compared to those who couldn't (on a sliding scale). However the higher levels of tax appeared to restrict incentive or ability to invest and restrict growth.

A policy to lower levels of tax on profits and, lately, apply a goods and services tax to raise more revenue for government now and for future anticipated needs seems sound. The fault lies in the continued complications and size of the tax policy being totally uncomprehensible to the average (even above average) person as far as comprehending policy and documents and the increase in burden of compliance with the new tax system on individuals and small business.

It would appear that the present system of tax, created over the lifespan of this country, has not fully appreciated the ability of present technologies and communications to assist in simplifying ways of collecting tax and simplifying the tax process and has not realised the changes in the structure of income in our society; one where GDP has risen from \$28 billion dollars in the mid seventies to the much greater GDP now, and the way in which this GDP is earned has changed ie. the emergence of new industries or the rapid growth of older ones and the decline of industries once strong). Therefore the basic structure of the tax system needs reassessing to take on board these changes for simplification and equity.

The distribution of the tax burden on individuals and business depends on what sort of individual or business one is. If one is an employee (PAYE) then the burden of tax depends on the rate of tax paid (most complain it is too high) but the burden of compliance is minimal with the employer doing most of the paperwork (PAYG, super etc) and the individual doing a reconciliation each year or quarter.

If one is a business large enough to employ a book-keeper-payroll officer then compliance becomes a cost.

However if one is an individual/small business, compliance with the new GST and the other levels of tax are beyond comprehension and ability, cost and time. As one small business person (farmer) remarked, it takes 3 times as long to comply and the accountant's fees have risen 3 times since GST. I can vouch for this except my tax compliance is 3 times that individuals as an individual, rural partnership and retail business.

This brings me to;

b) The impact of (a) on taxpayers families.

The burden of tax compliance is heavy and complicated, even though there are so called simplified ways of reporting, the thousands of implications to the tax system requires diligence and thought by the submitter as well as their tax agent. Apart from the fact that the most important things in peoples lives is and should be, their family enjoyment and responsibilities and their involvement in their community and providing for their family, people also respect the role government plays in their lives and provided they earn sufficient to contribute to this need, are willing to pay their way.

My grandfather espoused that taxation should be highest on high income earners and then on a decreasing scale to the tune of basically 60% tax, 40% and 20%. In other words those earning a lot should pay a lot as they would still have plenty to live on, comfortably, after that. This at a time when he was a high income earner.

However a tax system that takes away time from family, enjoyment, community involvement, sport and initiative is a retrograde step. This present system of tax does that.

Again, no argument with the government's need to raise funds only with the method in which they do so. The present method fails my family, on whose behalf I present this submission.

My parents, who still operate the cattle property with me and have a host farm business on property, spend at least 12 hours a fortnight on GST work and other bookwork. Valuable time used unnecessarily, if a more relevant-to-the-times system was in place.

So, the present system is a real time burden on small business operators who are the largest employers and most dynamic, initiative people.

The present system encourages larger business as these are the groups (companies) that are most able to handle a complicated system, when there is no need for a complicated system.

c) and d) as written.

With regard to the way tax revenue is spent (c) and the long term effects of the current distribution of tax monies d) that is entirely a matter for the government of the day and after their 3 years in office, the people will judge at the polls whether they wish the government of the day to continue on their programme or elect a new body to satisfy their needs and desires as the majority see fit at the time. That is the prerogative of a democratically elected government.

I can only reiterate that the way in which the required monies are raised is the pressing issue for someone such as myself and my family.

If the system wants a breakdown in positive family time, community involvement, initiative taking and a happier people than the present system of tax collection will achieve that. The inter-generational consequences of the present tax structure (as asked in d) will be a negative social impact. The monetary impact may be positive but this is not the sole prerequisite to a good society.

c) The respective roles of the Commonwealth and the states in relation to the collection and distribution of taxation revenue.

A state, again, that the distribution of tax revenues is the sole prerogative of the government of the day and democracy will ensure or curtail what the majority see as right every three years.

Yet the way in which tax is collected and the efficiency of the forms of government which collect it are material mechanisms, not based on whims and perceived needs of elected representatives as to how the monies are distributed.

There are far too many intricate needs and wants in the community to list in a submission such as this concerning the distribution of monies and depends on changes in society and has short, medium and long term considerations. However, collection of taxes is an issue that should be simplified whenever new technologies become available.

A discussion of the roles of Commonwealth and state taxing should include local government as well.

If one looks at these levels of government historically and how and why each level was conceived shows that an enquiry on the relevance and efficiency of our present 3 tiered government structure is appropriate.

A Federal, main government was established and devolved responsibilities to States on roles and revenue raising, for each State to administer as their own needs required; each State having differing needs depending on climate, distances and resources. For a Federal Government to make decisions for different (States) areas and allocate monies to, would have taken months as communication and transport were slow and the needs of an area would have been severely hampered in being developed while waiting for a decision.

Therefore, a State was given its own ability to establish needs and raise monies. States then relied on Local Government to implement the smaller regional requirements and also to raise some monies by rating the unimproved capital value of the land in those shires, based on a system going back to the 12th century in England.

Again, these systems of government were set up as the best way of providing government services in the quickest time, given the communications available.

Today, the scene has changed with the many forms of instant communication and faster transport available, yet we still have a government structure and tax structure that was installed in times when this was not available.

Does this present system of government and tax work as efficiently as it could today? It works but it appears not efficiently. It has become more complicated, parts are less relevant and sections of the community are suffering unnecessarily, when due to the technologies available it can all be simplified to the benefit of all.

I, therefore, put forward for discussion a system of government that involves two levels, Federal and Regional elected governments (regions determined in size and population and resources and mutual interests by present shires by agreement) and a tax system that uses a form of debit tax on all funds deposited in accounts of, x\$, with all companies (Australian based and Foreign based) and individuals and other structures being taxed in this way.

A Federal and Regional system will remove the costs associated with a middle level of government and rationalise the local governments into more economical units as regions.

The central government plays a necessary overseeing role establishing national principles and needs ensuring equity in revenue distribution while Regional Governments are closely aligned with the required needs of the people (again, thanks to communication improvements) and making for cost savings in not having State governments and many local Governments. A rationalisation as we take on board the tools we have available to conduct government.

A debit tax system also is a case of taking on board new technologies. As more and more purchases are carried out electronically it is a simple matter for the various financial institutions to automatically deduct the determined percentage, or the determined % for different types of transactions (eg. a company may pay a higher or lower percent than an individual; the sale of an asset may attract a higher or lower percent debit tax than a wage earner; the sale of export commodities may pay a higher or lower percent than a service provider).

The principle of the exercise is to simplify the collection of tax as our ability to do so has and make it more equitable, as our society's structure has changed.

The need for local governments to raise revenue based on values of land and setting rates of tax on that land value would not be required. this form of tax was necessary when land was the main form of creating wealth, however this is by no means the case now as other service and technology-based industries create a great proportion of our wealth.

The need for valuing land to raise tax is now inequitable and the money can be raised simply and equitably when land is sold and its value realised and a percentage % deducted as tax.

Revenues are raised, simply and equitably, maybe at different rates for different types of structures, & rates can be changed to raise further taxes in times of need eg. war, or national interest purposes (and deleted when no longer required). The aim would be to lower & rates as government becomes more efficient through further advances in technology.

needs Revenues are distributed back to regional governments on a basis of needs and desires of regions as the government of the day sees fit and the needs and future projections of regions are considered.

f) Any other relevant issues which may arise in the course of the inquiry.

In a summary, this submission is presented with the aim of providing points for discussion to create a system of government and tax that will benefit the lifestyle of my family and hopefully, as I see it, of all other sections of our society.

A simplified, yet practical and possible form of government structure and tax structure that will raise the required monies for our society to function equally and then better than our present system allows.

This is not a derogatory look at our present system, which has served well, but a presentation of ideas to create discussion for a better system using what we have available now and what is likely to be available in the near future.

A Federal-Regional approach to government with a % debit tax on transactions, differing percentages for different structures and transactions possibly being necessary, without being too complicated, replacing all other forms of revenue raising for governments.

Again I repeat that the present system of government appears inefficient and unnecessary as our ability to communicate and transport between areas has gone from poor and slow when our present structure was created to instant and fast now, yet we still have the same basic structure.

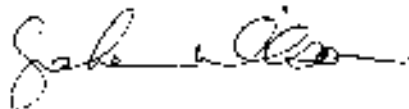
Our tax collection has become complicated and burdensome while we fail to simplify it using technology now available and rapidly improving and accepted. It is creating hardships on my family and others that I know. A change in government structure is mutually inclusive with a change in tax collection and vice-versa.

The role of government to distribute those funds is determined by the people at election time. This is not questioned, rather it is sacrosanct.

Dare I say it, but a Republican form of government may also be a suitable form of government for such a system, even though I voted against a Republic at the referendum as no beneficial changes were put forward; changes that were a clear benefit to my family over the present system.

I thank the government for my opportunity to put forward my simple proposals. It is extremely reassuring. I am sure that government recognises the need to reassess government and tax, hence this enquiry, and I look forward to following continued debate over the coming years to create a more simple and equitable structure to better the life style we lead, mainly by eliminating time consuming compliance and now less relevant levels of government.

Yours faithfully,

A handwritten signature in cursive script, appearing to read 'Graham Wilson'.

GRAHAM WILSON.