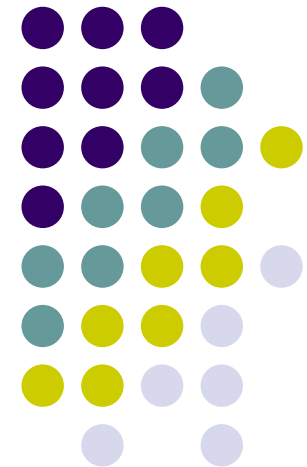
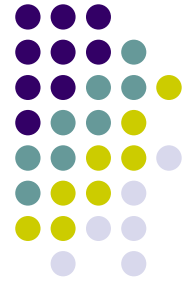


Income from business and capital

Richard Vann
Challis Professor of Law
University of Sydney

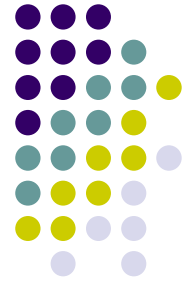


10 min agenda (2 mins each)



- Optimal taxation and tax reform
- Models of tax reform and Asprey report
- The models in the paper
- Corporate tax
- Personal taxation

Optimal taxation and tax reform



- Perfect markets and market failure
- Pre-tax assumption
- Elasticities matter
- Distribution
- Data v stylised facts
- Tax reform: clean sheets of paper or path dependency

Models of tax reform and the Asprey report



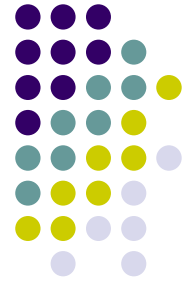
- Asprey was not a long term strategy document, rather catch up with rest of world
 - But it was big and small picture, cf Meade
 - Some was implemented immediately
 - Some was implemented over time
 - Some was never implemented, cf Meade
- Process and history: why are we here?
 - Paper is both big picture and micro reform



The models in the paper

- Optimal taxation
 - First major Australian tax review to engage but
 - Do small open economies and perfect capital markets exist?
- Comprehensive tax base: do elasticities and distribution matter?

Corporate and international tax



- The optimal tax dilemma: why has the corporate tax remained buoyant?
 - Shifting
 - Rents
 - Normal rate of return only taxed
- Basis of ACE et al
 - Ignores market failure
 - Retain many of the current problems plus
- Black box or zero theory of firms



Personal taxation

- DIT
 - Relatively trivial tax rate adjustment
 - Based on mobility of capital
 - Household analysis and income splitting
 - All the old problems of measuring income from capital
 - Where is the optimal tax analysis?
 - Where is data and distribution?
 - Small firms and large wealthholders
 - We have dual income tax?

The missing Australian small business structure

