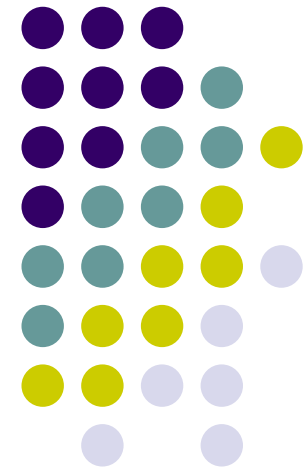


# Income from business and capital

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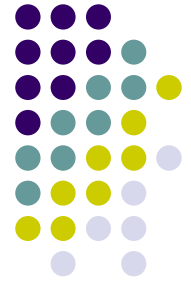


# 10 min agenda (2 mins each)



- 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

