Submission on Australia's future tax system (AFTS)

Background
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My suggestions for AFTS are largely influenced by my exposure to and learning from factors which play into –

- major investment decisions by Australian and foreign companies;
- mobility of the Australian workforce
- the willingness of small business owners to engage staff
- raising and educating a family in contemporary Australia
- preparing the way for a lower carbon economy and
- managing lifestyle and financial affairs with dignity in one's latter years.

My suggestions for AFTS
First, having regard for the net benefits of foreign capital and its continuing need to support a healthy and smarter Australian economy, I suggest that taxing of companies operating in Australia must be internationally competitive both as to nominal company tax rate and to allowances available. This is not a "set and forget" matter – rather, it requires continual monitoring and change to stay abreast of a dynamic world business environment.

Next, to help free up mobility of the Australian workforce (by which I simply mean helping people to go where the jobs are), I suggest there is no place in AFTS for stamp duties and any other property related taxes which impose additional costs on and thereby impede people's movements around the country.

I suggest too there is no place in AFTS for a tax on business (big or small) which is tied to its number of employees and can act as a deterrent to taking on new employees. In short, payroll tax should be abolished.

Perhaps the most important contributions to Australia's health and prosperity which can be made by AFTS are the amount and "quality" of help available to families who are raising and educating their children to take Australia into a new and ever changing world. Whilst I have the impression there is much fat which can be trimmed from current programs which are generally known as "middle class welfare", I suggest that all primary, secondary and tertiary fees for educating dependant children should be deductible under AFTS.
As the country prepares for a lower carbon future, I remain to be convinced that an emissions trading scheme is the best way to manage reductions in our carbon emissions. It concerns me that rigorous debate of the merits of a carbon tax versus those of an ETS has yet to occur and that our apparent preference for an ETS might be grounded on an untested belief that it will be easier to adopt internationally than would a plethora of carbon taxes. I happen to believe that after rigorous debate Australia is more likely to decide in favour of a carbon tax than an ETS. There are many reasons for this, not least

being the simplicity and transparency of a tax on emissions versus a market based permit to pollute (which is important in developing trust, understanding and eventual acceptance of the system amongst and by all Australians); and the greater predictability of revenues from a carbon tax versus those from the sale of price sensitive permits (which will help ensure a steady flow of cash to fund research into cleaner fuels and compensation for stranded assets). I suggest, therefore, that AFTS should include a carbon tax rather than an ETS and, further, that some of the monies currently earmarked for spending on carbon sequestration and the myth of “clean coal technology” should be re-directed at compensation for stranded coal assets and research into renewable sources of energy. Also, to assist the transition from Australia’s current high carbon energy “mix” to another which is more environmentally friendly, AFTS should encourage the use of gas and nuclear fuels in the meantime.

AFTS will also have a huge role to play in helping retirees to manage their financial affairs with certainty and enjoy their latter years with dignity. Whilst supporting the Government’s term of reference that tax free superannuation be preserved for over 60s, I would suggest AFTS should also preserve Australia’s current dividend imputation system for the following reasons –

- no income stream should be taxed more than once
- imputation is also an integral part of the previous government’s major reforms of superannuation which, if only to help develop trust in the system by contributors and pensioners alike (and particularly given current world economic circumstances), must be allowed to run their course for a good while before any further major changes are contemplated
- removing dividend imputation would cause a major devaluation in the price of Australian equities and, consequently, in the value of pension funds and annual pensions payable by those funds.

My last suggestions for AFTS relate to the Government’s other two terms of reference, viz. not to increase the rate nor broaden the base of the GST (on the one hand) and to preserve the “aspirational” personal income tax goals (on the other). Whilst I have sympathy with the latter and with keeping Australia’s company tax system competitive internationally, it seems something may have to give to keep the budget in surplus “through the cycle”. For my part (and though now a self funded retiree), I believe a modest increase in GST would provide a simple, transparent and fair component of AFTS.

Robert M Little
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